

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549  
FORM 10-Q**

**(Mark One)**

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

For the quarterly period ended September 30, 2021

OR

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

For the transition period from      to

Commission File Number: **001-38503**

**Iterum Therapeutics plc**

(Exact name of registrant as specified in its charter)

**Ireland**  
(State or other jurisdiction of incorporation or organization)

**98-1283148**  
(I.R.S. Employer Identification No.)

Fitzwilliam Court 1st Floor,  
Leeson Close,  
Dublin 2, Ireland  
(Address of principal executive offices)  
Not applicable  
(Zip Code)

(+353) 1 669-4820

(Registrant's telephone number, including area code)

Block 2 Floor 3, Harcourt Centre,  
Harcourt Street,  
Dublin 2, Ireland

(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 |
|---|-------------------|---|
| Ordinary Shares, \$0.01 par value per share | ITRM              | The Nasdaq Stock Market LLC               |

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

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

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

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

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

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

As of October 31, 2021, the registrant had 182,775,282 ordinary shares, \$0.01 par value per share, outstanding.

**Table of Contents**

|   | <u>Page</u> |
|---|-------------|
| <b>PART I. <a href="#">FINANCIAL INFORMATION</a></b>  | 1           |
| Item 1. <a href="#">Financial Statements (Unaudited)</a>  | 1           |
| <a href="#">Condensed Consolidated Balance Sheets</a>   | 1           |
| <a href="#">Condensed Consolidated Statements of Operations and Comprehensive Loss</a>                        | 2           |
| <a href="#">Condensed Consolidated Statements of Cash Flows</a>   | 3           |
| <a href="#">Notes to Unaudited Condensed Consolidated Financial Statements</a>                                | 4           |
| Item 2. <a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a> | 26          |
| Item 3. <a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>                            | 42          |
| Item 4. <a href="#">Controls and Procedures</a>   | 42          |
| <b>PART II. <a href="#">OTHER INFORMATION</a></b>   | 43          |
| Item 1. <a href="#">Legal Proceedings</a>   | 43          |
| Item 1A. <a href="#">Risk Factors</a>   | 43          |
| Item 2. <a href="#">Recent Sales of Unregistered Securities</a>   | 97          |
| Item 6. <a href="#">Exhibits</a>  | 98          |
| <a href="#">Signatures</a>  | 99          |

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA**

This Quarterly Report on Form 10-Q contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical facts contained in this Quarterly Report are forward-looking statements. In some cases, you can identify forward-looking statements by words such as “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “target,” “will,” “would,” or the negative of these words or other comparable terminology. These forward-looking statements include, but are not limited to, statements about:

- our use of cash reserves;
- the design, initiation, timing, progress and results of our preclinical studies and clinical trials, and our research and development programs including any additional clinical trials and potential non-clinical development that may be conducted in response to the Complete Response Letter (CRL) received from the U.S. Food and Drug Administration in July 2021 in connection with our New Drug Application (NDA) for oral sulopenem for the treatment of uncomplicated urinary tract infections (uUTIs) in patients with a quinolone non-susceptible pathogen;
- our ability to resolve the issues set forth in the CRL;
- our ability to retain the continued service of our key professionals and to identify, hire and retain additional qualified professionals;
- our ability to advance product candidates into, and successfully complete, clinical trials;
- the potential advantages of our product candidates;
- the timing or likelihood of regulatory filings and approvals, including with respect to the potential resubmission of our NDA for oral sulopenem for the treatment of uUTIs in patients with a quinolone non-susceptible pathogen;
- the commercialization of our product candidates, if approved;
- our manufacturing plans;
- our sales, marketing and distribution capabilities and strategy;
- market acceptance of any product we successfully commercialize;
- the pricing, coverage and reimbursement of our product candidates, if approved;
- the implementation of our business model, strategic plans for our business and product candidates;
- the scope of protection we are able to establish and maintain for intellectual property rights covering our product candidates and our ability to defend and enforce any such intellectual property rights;
- our ability to enter into strategic arrangements, collaborations and/or commercial partnerships in the United States and other territories and the potential benefits of such arrangements;
- our estimates regarding expenses, capital requirements and needs for additional financing;
- our expectations regarding how far into the future our cash on hand will fund our ongoing operations;
- our financial performance;
- developments relating to our competitors and our industry;
- the impact of COVID-19, including the responsive measures taken by governmental authorities and others, on our clinical trials, on regulatory approval, on future commercialization of, and future demand for, our products, available funding, our operations and the economy in general, which may precipitate or exacerbate other risks and/or uncertainties;
- our ability to regain and maintain compliance with listing requirements of the Nasdaq Capital Market; and
- the outcome, impact, effects and results of our evaluation of corporate, strategic, financial and financing alternatives, including the terms, timing, structure, value, benefits and costs of any corporate, strategic, financial or financing alternative and our ability to complete one at all.

These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in “Risk Factors” and elsewhere in this Quarterly Report. Moreover, we operate in a very competitive and rapidly changing environment, and new risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Quarterly Report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.



You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this Quarterly Report to conform these statements to new information, actual results or to changes in our expectations, except as required by law.

You should read this Quarterly Report and the documents that we have filed with the Securities and Exchange Commission (SEC), as exhibits to this Quarterly Report with the understanding that our actual future results, levels of activity, performance, and events and circumstances may be materially different from what we expect.

This Quarterly Report also contains industry, market and competitive position data from our own internal estimates and research as well as industry and general publications and research surveys and studies conducted by third parties. Industry publications, studies, and surveys generally state that they have been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information. Our internal data and estimates are based upon information obtained from trade and business organizations and other contacts in the markets in which we operate and our management's understanding of industry conditions. While we believe that each of these studies and publications is reliable, we have not independently verified market and industry data from third-party sources. While we believe our internal company research is reliable and the market definitions are appropriate, neither such research nor these definitions have been verified by any independent source. The industry in which we operate is subject to a high degree of uncertainty and risks due to various factors, including those described in the section titled "Risk Factors".

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Quarterly Report, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

## PART I—FINANCIAL INFORMATION

## Item 1. Financial Statements (Unaudited).

**ITERUM THERAPEUTICS PLC**  
**Condensed Consolidated Balance Sheets**  
(In thousands except share and per share data)  
(Unaudited)

|   | September 30,<br>2021 | December 31,<br>2020 |
|---|-----------------------|----------------------|
| <b>Assets</b>   |                       |                      |
| Current assets:   |                       |                      |
| Cash and cash equivalents   | \$ 35,982             | \$ 14,508            |
| Short-term investments  | 49,729                | —                    |
| Prepaid expenses and other current assets   | 4,502                 | 6,904                |
| Current portion of restricted cash  | —                     | 60                   |
| Total current assets  | 90,213                | 21,472               |
| Property and equipment, net   | 138                   | 421                  |
| Restricted cash, less current portion   | 64                    | 248                  |
| Other assets  | 8,007                 | 10,651               |
| <b>Total assets</b>   | <b>\$ 98,422</b>      | <b>\$ 32,792</b>     |
| <b>Liabilities and Shareholders' Equity / (Deficit)</b>   |                       |                      |
| Current liabilities:  |                       |                      |
| Accounts payable  | \$ 276                | \$ 816               |
| Accrued expenses  | 1,690                 | 1,829                |
| Derivative liability  | 9,183                 | 28,865               |
| Current portion of long-term debt   | 3,244                 | 6,374                |
| Current portion of royalty-linked notes   | —                     | 114                  |
| Income taxes payable  | 141                   | 102                  |
| Other current liabilities   | 3,295                 | 3,598                |
| Total current liabilities   | 17,829                | 41,698               |
| Long-term debt, less current portion  | 6,134                 | 22,462               |
| Long-term royalty-linked notes, less current portion  | 18,403                | 13,389               |
| Other liabilities   | 3,608                 | 5,802                |
| Total liabilities   | \$ 45,974             | \$ 83,351            |
| Commitments and contingencies (Note 14)   |                       |                      |
| Shareholders' equity / (deficit):   |                       |                      |
| Undesignated preferred shares, \$0.01 par value per share: 100,000,000 shares authorized at September 30, 2021 and December 31, 2020; no shares issued at September 30, 2021 and December 31, 2020        | —                     | —                    |
| Ordinary shares, \$0.01 par value per share: 300,000,000 shares authorized, 182,775,282 shares issued at September 30, 2021; 150,000,000 shares authorized, 49,431,028 shares issued at December 31, 2020 | 1,827                 | 494                  |
| Additional paid-in capital  | 424,932               | 235,876              |
| Accumulated deficit   | (374,311)             | (286,929)            |
| Total shareholders' equity / (deficit)  | \$ 52,448             | \$ (50,559)          |
| <b>Total liabilities and shareholders' equity / (deficit)</b>   | <b>\$ 98,422</b>      | <b>\$ 32,792</b>     |

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

**ITERUM THERAPEUTICS PLC**  
**Condensed Consolidated Statements of Operations and Comprehensive Loss**  
(In thousands, except share and per share data)  
(Unaudited)

|   | Three Months Ended<br>September 30, |                    | Nine Months Ended<br>September 30, |                    |
|---|-------------------------------------|--------------------|------------------------------------|--------------------|
|   | 2021                                | 2020               | 2021                               | 2020               |
| Operating expenses:   |                                     |                    |                                    |                    |
| Research and development  | \$ (1,845)                          | \$ (3,937)         | \$ (7,010)                         | \$ (18,723)        |
| General and administrative  | (3,029)                             | (2,398)            | (10,698)                           | (8,759)            |
| Total operating expenses  | <u>(4,874)</u>                      | <u>(6,335)</u>     | <u>(17,708)</u>                    | <u>(27,482)</u>    |
| Operating loss  | <u>(4,874)</u>                      | <u>(6,335)</u>     | <u>(17,708)</u>                    | <u>(27,482)</u>    |
| Interest expense, net   | (849)                               | (4,183)            | (4,781)                            | (10,854)           |
| Financing transaction costs   | —                                   | (685)              | —                                  | (2,815)            |
| Adjustments to fair value of derivatives                                      | 9,783                               | (644)              | (64,526)                           | 1,023              |
| Other income, net   | 33                                  | 68                 | 167                                | 27                 |
| Total other income / (expense), net   | <u>8,967</u>                        | <u>(5,444)</u>     | <u>(69,140)</u>                    | <u>(12,619)</u>    |
| Income / (loss) before income taxes   | 4,093                               | (11,779)           | (86,848)                           | (40,101)           |
| Income tax expense  | (352)                               | (420)              | (534)                              | (719)              |
| Net income / (loss) and comprehensive income / (loss)                         | <u>3,741</u>                        | <u>(12,199)</u>    | <u>(87,382)</u>                    | <u>(40,820)</u>    |
| Net income / (loss) attributable to ordinary shareholders                     | <u>\$ 3,741</u>                     | <u>\$ (12,199)</u> | <u>\$ (87,382)</u>                 | <u>\$ (40,820)</u> |
| Net income / (loss) per share attributable to ordinary shareholders – basic   | <u>\$ 0.02</u>                      | <u>\$ (0.60)</u>   | <u>\$ (0.56)</u>                   | <u>\$ (2.39)</u>   |
| Net income / (loss) per share attributable to ordinary shareholders – diluted | <u>\$ 0.02</u>                      | <u>\$ (0.60)</u>   | <u>\$ (0.56)</u>                   | <u>\$ (2.39)</u>   |
| Weighted average ordinary shares outstanding – basic                          | <u>182,730,032</u>                  | <u>20,392,357</u>  | <u>156,058,343</u>                 | <u>17,078,326</u>  |
| Weighted average ordinary shares outstanding – diluted                        | <u>202,257,112</u>                  | <u>20,392,357</u>  | <u>156,058,343</u>                 | <u>17,078,326</u>  |

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

**ITERUM THERAPEUTICS PLC**  
**Condensed Consolidated Statements of Cash Flows**  
(In thousands, except share and per share data)  
(Unaudited)

|  | <b>Nine Months Ended September 30,</b> |                 |
|--|--|-----------------|
|  | <b>2021</b>                            | <b>2020</b>     |
| <b>Cash flows from operating activities:</b>                                   |  |                 |
| Net loss   | \$ (87,382)                            | \$ (40,820)     |
| Adjustments to reconcile net loss to cash used in operating activities:        |  |                 |
| Depreciation   | 331                                    | 122             |
| Share-based compensation expense   | 2,352                                  | 2,633           |
| Interest on short-term investments   | (136)                                  | —               |
| Non-cash loss on short-term investments  | 353                                    | —               |
| Amortization of debt discount and deferred financing costs                     | 3,636                                  | 7,818           |
| Interest on exchangeable notes - non-cash                                      | 873                                    | 2,338           |
| Financing transaction costs included in financing activities                   | —                                      | 2,815           |
| Adjustments to fair value of derivatives                                       | 64,526                                 | (1,023)         |
| Other  | 2,311                                  | 907             |
| Changes in operating assets and liabilities:                                   |  |                 |
| Prepaid expenses and other current assets                                      | 1,516                                  | 3,593           |
| Accounts payable   | (540)                                  | (12,879)        |
| Accrued expenses   | (137)                                  | (10,229)        |
| Income taxes   | (397)                                  | (89)            |
| Other liabilities  | (689)                                  | (683)           |
| Net cash used in operating activities  | <u>(13,383)</u>                        | <u>(45,497)</u> |
| <b>Cash flows from investing activities:</b>                                   |  |                 |
| Purchases of property and equipment  | (48)                                   | (11)            |
| Purchases of short-term investments  | (60,081)                               | —               |
| Proceeds from sale of ST investments   | 10,000                                 | —               |
| Net cash used by investing activities  | <u>(50,129)</u>                        | <u>(11)</u>     |
| <b>Cash flows from financing activities:</b>                                   |  |                 |
| Proceeds from PPP Loan   | —                                      | 744             |
| Repayments of long-term debt   | (4,887)                                | (4,655)         |
| Proceeds from private placement and rights offering, net of transactions costs | —                                      | 44,699          |
| Proceeds from issuance of ordinary shares, net of transaction costs            | 89,643                                 | 8,560           |
| Net cash provided by financing activities                                      | <u>84,756</u>                          | <u>49,348</u>   |
| Effect of exchange rates on cash and cash equivalents                          | <u>(14)</u>                            | <u>(35)</u>     |
| <b>Net increase in cash, cash equivalents and restricted cash</b>              | <u>21,230</u>                          | <u>3,805</u>    |
| Cash, cash equivalents and restricted cash, at beginning of period             | <u>14,816</u>                          | <u>4,891</u>    |
| Cash, cash equivalents and restricted cash, at end of period                   | <u>\$ 36,046</u>                       | <u>\$ 8,696</u> |
| <b>Supplemental Disclosure of Cash Flow Information:</b>                       |  |                 |
| Income tax paid - US   | \$ 397                                 | \$ 89           |
| Interest paid  | \$ 361                                 | \$ 767          |

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

**ITERUM THERAPEUTICS PLC**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
(In thousands, except share and per share data)

**1. Basis of Presentation**

Iterum Therapeutics plc (the Company) was incorporated under the laws of the Republic of Ireland in June 2015 as a limited company and re-registered as a public limited company on March 20, 2018. The Company maintains its registered office at Fitzwilliam Court, First Floor, Leeson Close, Dublin 2, Ireland. The Company commenced operations in November 2015. The Company licensed global rights to its novel anti-infective compound, sulopenem, from Pfizer Inc. (Pfizer). The Company is a clinical-stage pharmaceutical company dedicated to developing and commercializing sulopenem to be potentially the first oral branded penem in the United States and the first and only oral and intravenous (IV) branded penem available globally.

Since inception, the Company has devoted substantially all of its efforts to research and development, recruiting management and technical staff, and raising capital, and has financed its operations through the issuance of ordinary and convertible preferred shares, debt raised under a financing arrangement with Silicon Valley Bank (SVB) including the Paycheck Protection Program loan (PPP loan), a sub-award from the Trustees of Boston University under the Combating Antibiotic Resistant Bacteria Biopharmaceutical Accelerator (CARB-X) program and the proceeds of a private placement and subsequent rights offering pursuant to which its wholly owned subsidiary, Iterum Therapeutics Bermuda Limited (Iterum Bermuda) issued and sold \$51.8 million aggregate principal amount of 6.500% Exchangeable Senior Subordinated Notes due 2025 (Exchangeable Notes) and \$0.1 million aggregate principal amount of Limited Recourse Royalty-Linked Subordinated Notes (the RLNs and, together with the Exchangeable Notes, the Securities). The Company has not generated any product revenue. The Company is subject to risks and uncertainties common to early-stage companies in the pharmaceutical industry, including, but not limited to, the ability to secure additional capital to fund operations, failure to achieve regulatory approval, failure to successfully develop and commercialize its product candidates, development by competitors of new technological innovations, dependence on key personnel, protection of proprietary technology and compliance with government regulations. Product candidates currently under development will require additional research and development efforts, including regulatory approval prior to commercialization.

Even if the Company's product development efforts are successful, it is uncertain when, if ever, the Company will realize significant revenue from product sales.

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and include the accounts of the Company and its subsidiaries.

On July 5, 2019, the Company filed a universal shelf registration statement on Form S-3 (File No. 333-232569) with the Securities and Exchange Commission (SEC), which was declared effective on July 16, 2019, and pursuant to which it registered for sale up to \$150.0 million of any combination of its ordinary shares, preferred shares, debt securities, warrants and/or units from time to time and at prices and on terms that the Company may determine.

**ITERUM THERAPEUTICS PLC**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
(In thousands, except share and per share data)

On January 21, 2020, the Company completed a private placement pursuant to which its wholly owned subsidiary, Iterum Bermuda, issued and sold \$51.6 million aggregate principal amount of Exchangeable Notes and \$0.1 million aggregate principal amount of RLNs to a group of accredited investors (the Private Placement). The Securities were sold in units (the Units) in the Private Placement and Rights Offering with each Unit consisting of an Exchangeable Note in the original principal amount of \$1,000 and 50 RLNs. In connection with the Private Placement, the Company agreed to undertake a rights offering of subscription rights to purchase additional Units (the Rights Offering). Under the Rights Offering, the Company and Iterum Bermuda, distributed to the Company's eligible holders of ordinary shares and eligible warrant holders one non-transferable subscription right for each ordinary share owned (or deemed owned in the case of eligible warrant holders) as of the close of business on the record date, August 5, 2020. The subscription period for the Rights Offering expired on August 31, 2020 and right holders subscribed for 220 units. As a result, on September 8, 2020, Iterum Bermuda issued and sold \$0.2 million aggregate principal amount of Exchangeable Notes and \$0.02 million aggregate principal amount of RLNs. The Units were sold at a price of \$1,000 per Unit. The Exchangeable Notes are exchangeable for the Company's ordinary shares, cash or a combination of ordinary shares and cash, at an exchange rate of 1,286.1845 shares per \$1,000 principal and interest on the Exchangeable Notes (equivalent to an exchange price of approximately \$0.7775 per ordinary share) as of November 2, 2020, which was adjusted from the initial exchange price of 1,000 shares per \$1,000 principal and interest on the Exchangeable Notes (equivalent to an initial exchange price of \$1.00 per ordinary share) and is subject to further adjustment pursuant to the terms and conditions of the indenture governing the Exchangeable Notes (the Exchangeable Notes Indenture). Beginning on January 21, 2021 to September 30, 2021, certain noteholders of \$39.2 million aggregate principal amount of Exchangeable Notes have exchanged their notes for an aggregate of 53,888,331 of the Company's ordinary shares, which included accrued and unpaid interest relating to such notes. The aggregate principal amount of Exchangeable Notes outstanding as of September 30, 2021 was \$12.6 million. The RLNs entitle holders to payments based on a percentage of the Company's net revenues from potential U.S. sales of specified sulopenem products, subject to the terms and conditions of the indenture governing the RLNs. Pursuant to the indenture governing the RLNs, the payments on the RLNs will be up to either 15% or 20% of net revenues from U.S. sales of such products, depending on the indication approved by the U.S. Food and Drug Administration (the FDA). The aggregate amount of payments on each RLN is capped at \$160.00 (or 4,000 times the principal amount of such RLN). Iterum Bermuda received net proceeds from the sales of the Securities of approximately \$45.0 million, after deducting placement agent fees and offering expenses.

In April 2020, the Company began deferring payment on its share of U.S. payroll taxes owed, as allowed by the Coronavirus Aid, Relief and Economic Security Act (CARES Act) through December 31, 2020. The Company is able to defer half of its share of U.S. payroll taxes owed until December 31, 2021, with the remaining half due on December 31, 2022.

On April 3, 2020, the U.S. Small Business Administration (SBA) launched a Paycheck Protection Program (the Program) established following the signing of the CARES Act on March 27, 2020. On April 30, 2020, the Company's wholly owned subsidiary, Iterum Therapeutics US Limited, (the Borrower) entered into the PPP loan with SVB (the Lender) under the Program, pursuant to the Company receiving a loan of \$0.7 million with a fixed 1% annual interest rate and a maturity of two years. Under the terms of the agreement, there shall be no payments due by the Company until the SBA remits the forgiveness amount to the Borrower or 10 months after the end of the six-month period beginning April 30, 2020 (the Deferral Period). Following the Deferral Period, equal monthly repayments of principal and interest will be due to fully amortize the principal amount outstanding on the PPP loan by the maturity date. The SBA forgave \$340 of the loan in November 2020, and amortization of the remaining loan of \$404 began in December 2020.

On June 3, 2020, the Company entered into a Securities Purchase Agreement (June 3 SPA) with certain institutional investors (the June 3 Purchasers) pursuant to which the Company issued and sold, in a registered direct offering (June 3 Offering), an aggregate of 2,971,770 ordinary shares, \$0.01 nominal value per share, at a purchase price per share of \$1.6825, for aggregate gross proceeds to the Company of \$5.0 million and net proceeds of \$4.3 million after deducting fees payable to the placement agent and other offering expenses payable by the Company. The Company offered the ordinary shares in the June 3 Offering pursuant to its universal shelf registration statement on Form S-3. Pursuant to the June 3 SPA, in a concurrent private placement, the Company issued and sold to the June 3 Purchasers warrants to purchase up to 1,485,885 ordinary shares. Upon closing, the warrants became exercisable immediately at an exercise price of \$1.62 per ordinary share, subject to adjustment in certain circumstances, and will expire on December 5, 2025. The closing date of the June 3 Offering was June 5, 2020. Warrants to purchase 208,023 ordinary shares, amounting to 7% of the ordinary shares issued under the June 3 SPA, were issued to designees of the placement agent on the closing of the June 3 Offering. Upon closing, the warrants issued to such designees were exercisable immediately at an exercise price of \$2.1031 per ordinary share, and will expire on June 3, 2025.

On June 30, 2020, the Company entered into a securities purchase agreement (June 30 SPA) with certain institutional investors (the June 30 Purchasers) pursuant to which the Company issued and sold in a registered direct offering (June 30 Offering) an aggregate of 3,372,686 ordinary shares, \$0.01 nominal value per share, at a purchase price per share of \$1.4825, for aggregate gross proceeds to the Company of \$5.0 million and net proceeds of \$4.2 million after deducting fees payable to the placement agent and other offering expenses payable by the Company. The Company offered the ordinary shares in the June 30 Offering pursuant to its universal shelf registration statement on Form S-3. Pursuant to the June 30 SPA, in a concurrent private placement, the Company issued and sold to the June 30 Purchasers warrants to purchase up to 1,686,343 ordinary shares. Upon closing, the warrants were exercisable immediately at an exercise price of \$1.42 per ordinary share, subject to adjustment in certain

circumstances, and will expire on January 2, 2026. The June 30 Offering closed on July 2, 2020. Warrants to purchase 236,088 ordinary shares, amounting to 7% of the ordinary shares issued under the June 30 SPA, were issued to designees of the placement agent on closing of the June 30 Offering. Upon closing, the warrants issued to such designees were exercisable immediately at an exercise price of \$1.8531 per ordinary share, and will expire on June 30, 2025.

On October 27, 2020, the Company completed a registered public offering (the October Offering) in which it sold an aggregate of (i) 15,511,537 ordinary shares, \$0.01 nominal value per share, (ii) pre-funded warrants exercisable for an aggregate of 11,411,539 ordinary shares and (iii) warrants exercisable for an aggregate of 20,192,307 ordinary shares. The pre-funded warrants were issued and sold to certain purchasers whose purchase of ordinary shares in the October Offering would have otherwise resulted in the purchaser, together with its affiliates and certain related parties, beneficially owning more than 4.99% (or, at the election of the purchaser, 9.99%) of the Company's outstanding ordinary shares immediately following the consummation of the October Offering, if the purchaser so chose in lieu of ordinary shares that would have otherwise resulted in such excess ownership. The ordinary shares and pre-funded warrants were each offered together with the warrants, but the ordinary shares and pre-funded warrants were issued separately from the warrants. The combined offering price was \$0.65 per ordinary share and warrant and \$0.64 per pre-funded warrant and warrant. The Company's net proceeds from the October Offering, after deducting placement agent fees and other offering expenses payable by the Company, were \$15.5 million. The warrants are exercisable upon issuance at a price of \$0.65 per ordinary share, subject to adjustment in certain circumstances, and expire on October 27, 2025. The pre-funded warrants are exercisable upon issuance at a price of \$0.01 per ordinary share, subject to adjustment in certain circumstances, and expire when exercised in full, subject to certain conditions. As of December 31, 2020, all pre-funded warrants had been exercised for net proceeds of \$0.11 million. In connection with the October Offering, the Company entered into a Securities Purchase Agreement (the Purchase Agreement) on October 22, 2020 with certain institutional investors. The Purchase Agreement contains customary representations and warranties of the Company, termination rights of the parties, and certain indemnification obligations of the Company. Warrants to purchase 1,884,615 ordinary shares, which represents a number of ordinary shares equal to 7.0% of the aggregate number of ordinary shares and pre-funded warrants sold in the October Offering, were issued to designees of the placement agent on closing of the October Offering. Upon closing, the warrants issued to such designees became exercisable immediately at an exercise price of \$0.8125 per ordinary share and will expire on October 22, 2025.

**ITERUM THERAPEUTICS PLC**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
(In thousands, except share and per share data)

On February 3, 2021, the Company entered into an amended and restated underwriting agreement (the Underwriting Agreement) to issue and sell 34,782,609 ordinary shares of the Company, \$0.01 nominal value per share, in a firm commitment underwritten public offering with a public offering price of \$1.15 per share (the February Underwritten Offering). The Company offered the ordinary shares in the February Underwritten Offering pursuant to its universal shelf registration statement on Form S-3. The February Underwritten Offering closed on February 8, 2021. Pursuant to the Underwriting Agreement, the Company granted the underwriter an option for a period of 30 days to purchase up to an additional 5,217,391 ordinary shares on the same terms and conditions, which the underwriter exercised in full on February 10, 2021. This exercise increased the total number of ordinary shares sold by the Company in the offering to 40,000,000 shares, which resulted in aggregate gross proceeds of \$46.0 million and net proceeds of \$42.1 million after deducting underwriting discounts and commissions and offering expenses. In addition, pursuant to the Underwriting Agreement, the Company agreed to issue to the underwriter's designees warrants to purchase 2,800,000 ordinary shares, which was equal to 7.0% of the aggregate number of ordinary shares sold in the February Underwritten Offering, including the underwriter's option to purchase an additional 5,217,391 ordinary shares. The warrants issued to such designees have an exercise price of \$1.4375 per ordinary share, were exercisable upon issuance and will expire on February 3, 2026.

On February 9, 2021, the Company entered into a securities purchase agreement (the February SPA) with several healthcare-focused institutional investors pursuant to which the Company agreed to issue and sell in a registered direct offering (the February Registered Direct Offering) an aggregate of 17,500,000 ordinary shares, \$0.01 nominal value per share, at a purchase price of \$2.00 per share, for aggregate gross proceeds of \$35.0 million and net proceeds to the Company of \$32.2 million after deducting placement agent fees and other offering expenses. The Company offered the ordinary shares in the February Registered Direct Offering pursuant to its universal shelf registration statement on Form S-3. The February Registered Direct Offering closed on February 12, 2021. The Underwriting Agreement and February SPA entered into in February 2021 also contain ongoing covenants for the Company, including a prohibition on the Company entering into variable rate transactions for a period of 12 months after the closing of the relevant transaction, subject to certain exceptions. Warrants to purchase 1,225,000 ordinary shares, which was equal to 7.0% of the aggregate number of ordinary shares issued under the February SPA, were issued to designees of the placement agent on closing of the February Registered Direct Offering. The warrants issued to such designees were exercisable upon issuance at an exercise price of \$2.50 per ordinary share and will expire on February 9, 2026.

In accordance with Accounting Standards Update (ASU) 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (Subtopic 205-40)*, the Company has evaluated whether there are conditions and events, considered in aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year of the date of issue of these quarterly condensed consolidated financial statements.

The Company has funded its operations to date primarily with proceeds from the sale of preferred shares and ordinary shares, warrants, debt raised under financing arrangements with SVB including the PPP loan, payments received under the CARB-X program and the proceeds of the Private Placement and Rights Offering. The Company has incurred operating losses since inception, including net losses of \$87,382 and \$40,820 for the nine months ended September 30, 2021 and 2020, respectively, and a net loss of \$52,006 for the year ended December 31, 2020. The Company had an accumulated deficit of \$374,311 as of September 30, 2021 and expects to continue to incur net losses for the foreseeable future. Management believes that its cash and cash equivalents balance of \$35,982 and short-term investments balance of \$49,729 at September 30, 2021 are sufficient to fund operations for at least one year from the date the condensed consolidated financial statements are issued. In making this assessment management have considered the planned operations of the company and the ability to adjust its plans if required.

In addition, in parallel, the Company is evaluating its corporate, strategic, financial and financing alternatives, with the goal of maximizing value for its stakeholders. These alternatives could potentially include the licensing, sale or divestiture of the Company's assets or proprietary technologies, a sale of the Company, a merger or other business combination or another strategic transaction involving the Company. The evaluation of corporate, strategic, financial and financing alternatives may not result in any particular action or any transaction being pursued, entered into or consummated, and there is no assurance as to the timing, sequence or outcome of any action or transaction or series of actions or transactions.

### ***COVID-19 Global Pandemic***

The global impact of the COVID-19 pandemic has caused a disruption of the normal operations of many businesses, including the temporary closure or scale-back of business operations and/or the imposition of either quarantine or remote work or meeting requirements for employees, either by government order or on a voluntary basis. The pandemic may impact the ability of the Company's strategic partners to operate and fulfill their contractual obligations, and result in an increase in their costs and cause delays in performance. The Company may experience an impact to the timelines of any potential additional clinical and non-clinical development for sulopenem due to the worldwide spread of COVID-19. These effects, and the direct effect of the virus and any potential disruption on the Company's operations, may negatively impact the Company's ability to meet its strategic targets. The Company's employees, in most cases, are working remotely due to safety concerns and using various technologies to perform their functions. Additionally, the disruption and volatility in the global and domestic capital markets may increase the cost of capital and limit the Company's ability to access capital. Both the health and economic aspects of COVID-19 are highly fluid and

the future course of each is uncertain. For these reasons and other reasons that may come to light if the coronavirus pandemic and associated

**ITERUM THERAPEUTICS PLC**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
(In thousands, except share and per share data)

protective or preventative measures expand, the Company may experience a material adverse effect on its business operations and financial condition; however, its ultimate impact is highly uncertain and subject to change.

The Company cannot foresee if and when the outbreak of COVID-19 will be effectively contained, nor can the Company predict the severity and duration of its impact. COVID-19 has not yet had a significant impact on the Company's day to day operations but there can be no assurance that the continued spread of COVID-19 and the responsive measures taken to date will not impact patient enrolment on our ongoing Phase 1 clinical trial related to pediatric indications and any additional clinical trial(s) conducted in response to the Complete Response Letter (CRL) from the FDA to support a potential resubmission of our New Drug Application (NDA) for oral sulopenem for the treatment of uncomplicated urinary tract infections (uUTIs). Additionally, the COVID-19 pandemic could impact the FDA's regulatory review process, including delays in the requested Type B meeting to discuss the design of a potential new clinical trial to support a potential resubmission of the NDA for approval of oral sulopenem following receipt of the CRL in July 2021, meetings related to planned or completed clinical trials and ultimately the review and approval of our product candidates. The FDA's review of any resubmitted NDA for oral sulopenem for the treatment of uUTI may be delayed due to COVID-19, including an inability to schedule, or delays in scheduling, meetings and inspections. Additionally, the COVID-19 pandemic may negatively impact the Company's ability to initiate or complete future clinical trials, disrupt the Company's regulatory and commercialization activities, and result in other adverse effects on the Company's business and operations.

Management is actively monitoring the global situation and its possible effects on its financial condition, liquidity, suppliers, industry, and operations including manufacturing, clinical trials and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the adverse effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity.

### ***Interim Financial Information***

The condensed consolidated balance sheet at December 31, 2020 was derived from audited financial statements, but does not include all disclosures required by GAAP. The accompanying unaudited condensed consolidated financial statements as of September 30, 2021 and for the three and nine months ended September 30, 2021 and 2020 have been prepared by the Company pursuant to the rules and regulations of the SEC for interim financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto for the year ended December 31, 2020, included in the Company's Annual Report on Form 10-K filed with the SEC on March 12, 2021. In the opinion of management, all adjustments, consisting only of normal recurring adjustments necessary for a fair statement of the Company's financial position as of September 30, 2021, and results of operations for the three and nine months ended September 30, 2021 and 2020, and cash flows for the nine months ended September 30, 2021 and 2020 have been made. The results of operations for the three and nine months ended September 30, 2021 are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2021.

## **2. Summary of Significant Accounting Policies**

There have been no material changes in the Company's significant accounting policies, other than a change to the measurement method of the RLNs and the adoption of accounting pronouncements as described below, as compared to the significant accounting policies described in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

### ***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Significant estimates and assumptions reflected in these condensed consolidated financial statements include, but are not limited to, the accrual for research and development expenses, the valuation of share-based compensation awards, and the valuation of the RLNs and the Derivative liabilities. The Company bases its estimates on historical experience, known trends and other market-specific or other relevant factors that it believes to be reasonable under the circumstances. On an ongoing basis, management evaluates its estimates as there are changes in circumstances, facts and experience. Actual results could differ materially from those estimates. The Company has contemplated the impact of COVID-19 within its financial statements and is not aware of any specific event or circumstance that would require the Company to update estimates, judgments or revise the carrying value of any assets or liabilities.

**ITERUM THERAPEUTICS PLC**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
(In thousands, except share and per share data)

Specifically, management has estimated variables used to calculate the discounted cash flow analysis (DCF) and assumptions used in the Black-Scholes and binomial option pricing models to value derivative instruments (see Note 3 - Fair Value of Financial Assets and Liabilities).

***Cash and Cash Equivalents***

The Company's cash and cash equivalents consist of cash balances and highly liquid investments with maturities of three months or less at the date of purchase. Accounts held at U.S. financial institutions are insured by the Federal Deposit Insurance Corporation up to \$250, while accounts held at Irish financial institutions are insured under the Deposit Guarantee Scheme up to \$116 (€100).

Cash accounts with any type of restriction are classified as restricted cash. If restrictions are expected to be lifted in the next twelve months, the restricted cash account is classified as current. Included within restricted cash on the Company's condensed consolidated balance sheet is a certificate of deposit for \$30 which is being held by a third party bank as collateral for the irrevocable letter of credit issued in March 2018 to secure an office lease (see Note 7 - Leases). Also included within restricted cash on the Company's condensed consolidated balance sheet is \$17 relating to the warrants issued on June 5, 2020 pursuant to the June 3 SPA, \$6 relating to the warrants issued on July 2, 2020 pursuant to the June 30 SPA and \$11 relating to warrants issued in the October Offering. On the closing date of each of the June 3 Offering, June 30 Offering and October Offering, each investor deposited \$0.01 per warrant issued being the nominal value of the underlying ordinary share represented by each warrant. This amount will be held in trust by the Company pending a decision by the relevant investor to exercise the warrant by means of a "cashless exercise" pursuant to the terms of the warrant, in which case the \$0.01 will be used to pay up the nominal value of the ordinary share issued pursuant to the warrant. Upon the exercise of the warrants other than by means of a "cashless exercise", the amount held in trust will be returned to the relevant investor in accordance with the terms of the applicable purchase agreement or prospectus.

***Concentration of Credit Risk***

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash and cash equivalents and short-term investments. The Company has most of its cash, cash equivalents and short-term investments at two accredited financial institutions in the United States and Ireland, in amounts that exceed federally insured limits. The Company does not believe that it is subject to unusual credit risk beyond the normal credit risk associated with commercial banking relationships.

***Net Loss Per Ordinary Share***

Basic and diluted net loss per ordinary share is determined by dividing net loss attributable to ordinary shareholders by the weighted-average ordinary shares outstanding during the period in accordance with Accounting Standard Codification (ASC) 260, *Earnings per Share*. For the periods presented, the following ordinary shares underlying the options, unvested restricted share units, unvested performance restricted share units, warrants and the Exchangeable Notes have been excluded from the calculation because they would be anti-dilutive.

|   | <b>Three months ended</b>     |                               | <b>Nine Months Ended</b>      |                               |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|   | <b>September 30,<br/>2021</b> | <b>September 30,<br/>2020</b> | <b>September 30,<br/>2021</b> | <b>September 30,<br/>2020</b> |
| Options to purchase ordinary shares         | —                             | 1,147,490                     | 14,271,397                    | 1,147,490                     |
| Unvested restricted share units             | —                             | —                             | 1,285,328                     | —                             |
| Unvested performance restricted share units | —                             | 1,042,000                     | 26,000                        | 1,042,000                     |
| Warrants                                    | —                             | 3,636,229                     | 7,202,878                     | 3,636,229                     |
| Exchangeable Notes                          | —                             | 69,642,254                    | 17,997,296                    | 69,642,254                    |
| <b>Total</b>                                | <b>—</b>                      | <b>75,467,973</b>             | <b>40,782,899</b>             | <b>75,467,973</b>             |

***Segment and Other Information***

The Company determines and presents operating segments based on the information that is internally provided to the Chief Executive Officer and Chief Financial Officer, who together are considered the Company's chief operating decision maker, in accordance with ASC 280, *Segment Reporting*. The Company has determined that it operates as a single business segment, which is the development and commercialization of innovative treatments for drug resistant bacterial infections.

**ITERUM THERAPEUTICS PLC**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
(In thousands, except share and per share data)

The distribution of total operating expenses by geographical area was as follows:

|                    | Three Months Ended<br>September 30, |                 | Nine Months Ended<br>September 30, |                  |
|--------------------|-------------------------------------|-----------------|------------------------------------|------------------|
|                    | 2021                                | 2020            | 2021                               | 2020             |
| Operating expenses |                                     |                 |                                    |                  |
| Ireland            | \$ 3,056                            | \$ 4,859        | \$ 11,166                          | \$ 19,931        |
| U.S.               | 1,817                               | 1,476           | 6,495                              | 7,551            |
| Bermuda            | 1                                   | —               | 47                                 | —                |
| <b>Total</b>       | <b>\$ 4,874</b>                     | <b>\$ 6,335</b> | <b>\$ 17,708</b>                   | <b>\$ 27,482</b> |

The distribution of long-lived assets by geographical area was as follows:

|                   | September 30,<br>2021 | December 31,<br>2020 |
|-------------------|-----------------------|----------------------|
| Long-lived assets |                       |                      |
| Ireland           | \$ 7,513              | \$ 8,101             |
| U.S.              | 632                   | 2,971                |
| Total             | <b>\$ 8,145</b>       | <b>\$ 11,072</b>     |

### ***Royalty-Linked Notes***

On recognition, the RLNs qualified as debt instruments under ASC 470, *Debt*, and were initially recorded at fair value, applying a DCF model, and then subsequently measured at amortized cost. In January 2021, the RLNs were exchange listed, and therefore, derivative accounting has been applied in accordance with ASC 815, *Derivatives and Hedging*, which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other financial instruments or contracts which require bifurcation and measurement at fair value for accounting purposes on the balance sheet date. Any liabilities recorded at fair value are revalued at each reporting period with the resulting change in fair value reflected in other income, net.

### ***Income Taxes***

The CARES Act lifts certain deduction limitations originally imposed by the Tax Cuts and Jobs Act of 2017 (2017 Tax Act). Corporate taxpayers may carryback net operating losses (NOLs) originating during 2018 through 2020 for up to five years, which was not previously allowed under the 2017 Tax Act. The CARES Act also eliminates the 80% of taxable income limitations by allowing corporate entities to fully utilize NOL carryforwards to offset taxable income in 2018, 2019 or 2020. Taxpayers may generally deduct interest up to the sum of 50% of adjusted taxable income plus business interest income (30% limit under the 2017 Tax Act) for tax years beginning January 1, 2019 and 2020. The CARES Act allows taxpayers with alternative minimum tax credits to claim a refund in 2020 for the entire amount of the credits instead of recovering the credits through refunds over a period of years, as originally enacted by the 2017 Tax Act. The enactment of the CARES Act did not result in any material adjustments to the Company's income tax provision for the three and nine months ended September 30, 2021 and 2020, or to the Company's net deferred tax assets as of September 30, 2021.

### ***Recently Adopted Accounting Pronouncements***

In December 2019, the Financial Accounting Standards Board (FASB) issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The new guidance is intended to simplify the accounting for income taxes by removing certain exceptions and by updating accounting requirements around franchise taxes, goodwill recognized for tax purposes, the allocation of current and deferred tax expense among legal entities, among other minor changes. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The new standard became effective for the Company on January 1, 2021 and adoption did not have a material impact on the Company's condensed consolidated financial statements.

In January 2020, the FASB issued ASU 2020-01, *Investments-Equity Securities (Topic 321), Investments-Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying the Interactions between Topic 321, Topic 323, and Topic 815*. The amendments in ASU 2020-01 clarify the interaction of the accounting for equity securities under Topic 321 and investments accounted for under the equity method of accounting. ASU 2020-01 is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The new standard became effective for the Company on January 1, 2021 and adoption did not have a material impact on the Company's condensed consolidated financial statements.

In October 2020, the FASB issued ASU 2020-10, *Codification Improvements*, which clarifies various topics in the Codification by providing consistency in codification wording and moving existing disclosure requirements to the relevant disclosure sections.

**ITERUM THERAPEUTICS PLC**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
(In thousands, except share and per share data)

ASU 2020-10 is effective for annual and interim periods in fiscal years beginning after December 15, 2020. This standard became effective for the Company on January 1, 2021, and did not have a material impact on the Company's disclosures.

**Recent Accounting Pronouncements**

In August 2020, the FASB issued ASU 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, which reduces the number of accounting models for convertible instruments and allows more contracts to qualify for equity classification. The ASU is effective for annual and interim periods in fiscal years beginning after December 15, 2021. Early adoption is permitted, but no earlier than annual and interim periods in fiscal years beginning after December 15, 2020. The Company is assessing what impact ASU 2020-06 will have on the condensed consolidated financial statements.

In May 2021, the FASB issued ASU 2021-04, *Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options*, which clarifies an issuer's accounting for modifications or exchanges of freestanding written call options that remain equity-classified after modification. The ASU 2021-04 is effective for all entities for interim and annual periods in fiscal years beginning after December 15, 2021. Early adoption is permitted, including adoption in an interim period, as of the beginning of that fiscal year. The Company is assessing what impact ASU 2021-04 will have on the condensed consolidated financial statements.

In July 2021, the FASB issued ASU 2021-05, *Leases (Topic 842): Lessors – Certain Leases with Variable Lease Payments*, which requires a lessor to classify a lease with entirely or partially variable payments that do not depend on an index or rate as an operating lease if a different classification would result in a commencement date selling loss (Day 1 loss). For entities that have adopted ASU 2016-02, *Leases*, as of July 19, 2021, ASU 2021-05 is effective for annual and interim periods in fiscal years beginning after December 15, 2021 for public business entities and annual periods in fiscal years beginning after December 15, 2021 and interim periods in fiscal years beginning after December 15, 2022 for all other entities. Early adoption is permitted. For entities that had not yet adopted ASU 2016-02 as of July 19, 2021, ASU 2021-05 is effective on adoption of ASU 2016-02. The Company is assessing what impact ASU 2021-05 will have on the condensed consolidated financial statements.

**3. Fair Value of Financial Assets and Liabilities**

The following table presents information about the Company's financial assets that were carried at fair value on a recurring basis on the condensed consolidated balance sheet as of September 30, 2021 and December 31, 2020 and indicates the fair value hierarchy of the valuation inputs utilized to determine such fair value.

| <b>September 30, 2021</b>                 |                  |                  |                |                 |
|---|------------------|------------------|----------------|-----------------|
| Assets                                    | <u>Total</u>     | <u>Level 1</u>   | <u>Level 2</u> | <u>Level 3</u>  |
| Short-term investments                    | \$ 49,729        | 49,729           | —              | —               |
| Other asset – advance payment to supplier | 3,185            | —                | —              | 3,185           |
| Total                                     | <u>\$ 52,914</u> | <u>\$ 49,729</u> | <u>\$ —</u>    | <u>\$ 3,185</u> |
| <br>                                      |                  |                  |                |                 |
| <b>December 31, 2020</b>                  |                  |                  |                |                 |
| Assets                                    | <u>Total</u>     | <u>Level 1</u>   | <u>Level 2</u> | <u>Level 3</u>  |
| Other asset – advance payment to supplier | \$ 3,357         | \$ —             | \$ —           | \$ 3,357        |

See Note 4 for details on the short-term investments. The other asset above relates to advance payments made to a supplier that were recorded at fair value using DCF analysis as of September 30, 2021 and December 31, 2020. The fair value measurements of these advance payments were determined based on significant unobservable inputs, including a discount rate of 21% as of September 30, 2021 and December 31, 2020, and the expected time to recovery of the payment. Changes to the inputs described above are not expected to have a material impact on the Company's financial position and results of operations in any given period.

The carrying amounts reported in the condensed consolidated balance sheets for prepaid expenses and other current assets, accounts payable, accrued expenses and other current liabilities approximate their fair value based on the short-term maturity of these instruments.

**ITERUM THERAPEUTICS PLC**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
(In thousands, except share and per share data)

The following table presents information about the Company's debt, Exchangeable Notes, Derivative liability and RLNs. The Company's long-term debt was carried at amortized cost on the condensed consolidated balance sheet as of September 30, 2021 and December 31, 2020 and indicates the fair value hierarchy of the valuation inputs utilized to determine the approximate fair value:

| <b>September 30, 2021</b>                                    | <b>Book</b>      | <b>Approximate</b> |                |                |                |
|--|------------------|--------------------|----------------|----------------|----------------|
| <b>Liabilities</b>   | <b>Value</b>     | <b>Fair Value</b>  | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> |
| <b>Debt</b>  |                  |                    |                |                |                |
| Current portion of long-term debt                            | \$ 3,244         | \$ 3,244           | —              | 3,244          | —              |
| <b>Exchangeable Notes</b>                                    |                  |                    |                |                |                |
| Long-term exchangeable note                                  | 6,134            | 8,685              | —              | 8,685          | —              |
| Derivative liability - exchange option and change of control | 9,183            | 9,183              | —              | —              | 9,183          |
| <b>Revenue Futures</b>                                       |                  |                    |                |                |                |
| Long-term royalty linked notes, less current portion         | 18,403           | 18,403             | —              | —              | 18,403         |
| <b>Total</b>   | <b>\$ 36,964</b> | <b>\$ 39,515</b>   | <b>—</b>       | <b>11,929</b>  | <b>27,586</b>  |
| <br>   |                  |                    |                |                |                |
| <b>December 31, 2020</b>                                     | <b>Book</b>      | <b>Approximate</b> |                |                |                |
| <b>Liabilities</b>   | <b>Value</b>     | <b>Fair Value</b>  | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> |
| <b>Debt</b>  |                  |                    |                |                |                |
| Current portion of long-term debt                            | \$ 6,374         | \$ 6,374           | —              | 6,374          | —              |
| Long-term debt, less current portion                         | 1,626            | 1,512              | —              | 1,512          | —              |
| <b>Exchangeable Notes</b>                                    |                  |                    |                |                |                |
| Long-term exchangeable note                                  | 20,836           | 31,493             | —              | 31,493         | —              |
| Derivative liability - exchange option and change of control | 28,865           | 28,865             | —              | —              | 28,865         |
| <b>Revenue Futures</b>                                       |                  |                    |                |                |                |
| Current portion of royalty-linked notes                      | 114              | 114                | —              | —              | 114            |
| Long-term royalty-linked notes, less current portion         | 13,389           | 16,379             | —              | —              | 16,379         |
| <b>Total</b>   | <b>\$ 71,204</b> | <b>\$ 84,737</b>   | <b>—</b>       | <b>39,379</b>  | <b>45,358</b>  |

The book value of the current portion of long-term debt approximates its fair value due to the short-term nature of the balance. The fair value of long-term debt, less current portion was determined using DCF analysis using quoted market interest rates, without consideration of transaction costs, which represents a Level 2 basis of fair value measurement. The counterparty to the long-term debt is a major international financial institution.

The fair value of long-term Exchangeable Notes was determined using DCF analysis using the fixed interest rate outlined in the Exchangeable Note Indenture, without consideration of transaction costs, which represents a Level 2 basis of fair value measurement.

The Level 3 liabilities held as of September 30, 2021 consist of the embedded exchange option and change of control premium contained in the Exchangeable Notes (see Note 9 - Debt) and a separate financial instrument, that was issued as part of the Units, the RLNs (see Note 10 – Royalty-Linked Notes). The exchange option and change of control premium met the criteria requiring these to be bifurcated and accounted for separately from the host debt in accordance with ASC 815-15, *Derivatives and Hedging; Embedded Derivatives*. The exchange option and change of control premium are presented as a Derivative liability. At any time on or after January 21, 2021, subject to specified limitations, the Exchangeable Notes are exchangeable for the Company's ordinary shares, cash or a combination of ordinary shares and cash, at an exchange rate of 1,286.1845 shares per \$1,000 principal and interest on the Exchangeable Notes (equivalent to an exchange price of approximately \$0.7775 per ordinary share) as of November 2, 2020, which was adjusted from an initial exchange rate of 1,000 shares per \$1,000 principal and interest on the Exchangeable Notes (equivalent to an initial exchange price of \$1.00 per ordinary share) and is subject to further adjustment pursuant to the terms of the Exchangeable Notes. Beginning on January 21, 2021 to September 30, 2021, certain noteholders of \$39.2 million aggregate principal amount of Exchangeable Notes have exchanged their notes for an aggregate of 53,888,331 of the Company's ordinary shares, which included accrued and unpaid interest relating to such notes. The aggregate principal amount of Exchangeable Notes outstanding as of September 30, 2021 was \$12.6 million. The Derivative liability, representing the exchange option and change of control premium, was recorded at a fair value of \$27,038 upon issuance of the Exchangeable Notes under the Private Placement and is subsequently remeasured to fair value at the end of each reporting period. The fair value of the exchange option at September 30, 2021 amounted to \$7,174.

In the event of a fundamental change that is not a liquidation event (Fundamental Change), under the Exchangeable Note Indenture, the Company will be required to pay each holder of an Exchangeable Note the greater of three times the outstanding

**ITERUM THERAPEUTICS PLC**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
(In thousands, except share and per share data)

principal amount of such Exchangeable Note and the consideration that would be received by the holder of such Exchangeable Note, in connection with such Fundamental Change, if the holder had exchanged its note for ordinary shares immediately prior to the consummation of such Fundamental Change, plus any accrued and unpaid interest. The Derivative liability, representing the change of control feature, was recorded at a fair value of \$2,009 at September 30, 2021.

The fair value of each component of the Derivative liability was determined using the binomial option pricing model, and in the case of the change of control component, in combination with a DCF analysis, without consideration of transaction costs, which represents a Level 3 basis of fair value measurement. The key inputs to valuing the Derivative liability as of September 30, 2021 include the terms of the Exchangeable Notes Indenture, the Company's share price and market capitalization, the expected annual volatility of the Company's ordinary shares, management's assumption regarding the probability of a Fundamental Change pursuant to the terms of the Exchangeable Notes Indenture, and the risk-free interest rate. Fair value measurements are highly sensitive to changes in these inputs and significant changes in these inputs could result in a significantly higher or lower fair value.

The following table presents the changes in fair value of the Company's Derivative liability for the nine months ended September 30, 2021:

|                                  |           |              |
|----------------------------------|-----------|--------------|
| Balance at December 31, 2020     | \$        | 28,865       |
| Conversion of Exchangeable Notes |           | (80,512)     |
| Adjustment to fair value         |           | 60,830       |
| Balance at September 30, 2021    | <u>\$</u> | <u>9,183</u> |

The following summary table shows the assumptions used in the binomial option pricing model to estimate the fair value of the Derivative liabilities:

|                         | <u>September 30,<br/>2021</u> | <u>December 31, 2020</u> |
|-------------------------|-------------------------------|--------------------------|
| Share price             | \$ 0.558                      | \$ 0.989                 |
| Market capitalization   | \$ 101,887,609                | \$ 48,887,287            |
| Volatility              | 140%                          | 120%                     |
| Risk-free interest rate | 0.60%                         | 0.26%                    |
| Dividend rate           | 0%                            | 0%                       |

The additional significant assumption used in the DCF model, to estimate the fair value of the change of control feature at September 30, 2021, was management's assumption regarding the probability of a Fundamental Change pursuant to the terms of the Exchangeable Notes Indenture.

The RLN liability is carried at fair value on the condensed consolidated balance sheet as of September 30, 2021 (amortized cost as of December 31, 2020) (see Note 10 – Royalty-Linked Notes). The total fair value of \$18,403 was determined using DCF analysis, without consideration of transaction costs, which represents a Level 3 basis of fair value measurement. The key inputs to valuing the RLNs were the terms of the RLN Indenture, the expected cash flows to be received by holders of the RLNs based on management's revenue forecasts of U.S. sulopenem sales and a risk-adjusted discount rate to derive the net present value of expected cash flows. The RLNs will be subject to a maximum return amount, including all principal and payments and certain default interest in respect of uncurable defaults, of \$160.00 (or 4,000 times the principal amount of such note). The discount rate applied to the model was 21%. Fair value measurements are highly sensitive to changes in these inputs and significant changes in these inputs could result in a significantly higher or lower fair value.

There have been no transfers of assets or liabilities between the fair value measurement levels.

#### 4. Short-term Investments

The Company classifies its short-term investments as available for sale. Short-term investments comprise highly liquid investments with minimum "A-" rated securities and as at period-end consist of corporate entity commercial paper with maturities of more than three months at the date of purchase. Short-term investments as of September 30, 2021 have an average maturity of 0.75 years. The investments are reported at fair value with unrealized gains or losses recorded in the condensed consolidated statements of operations and comprehensive loss. Any differences between the cost and fair value of investments are represented by unrealized gains or losses. The fair value of short-term investments is represented by Level 1 fair value measurements – quoted prices in active markets for identical assets.

**ITERUM THERAPEUTICS PLC**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
(In thousands, except share and per share data)

The following table represents the Company's available for sale short-term investments by major security type as of September 30, 2021:

| Available for sale  | Cost      | Unrealized | Unrealized | Fair      | Maturity by period |           |          |       |           |        |
|---------------------|-----------|------------|------------|-----------|--------------------|-----------|----------|-------|-----------|--------|
|                     |           |            |            |           | Total              | gains     | (losses) | Total | Less than | 1 to 5 |
|                     |           |            |            |           |                    |           |          |       | 1         | years  |
| Total               |           |            |            |           | year               | years     |          |       |           |        |
| Commercial paper    | \$ 33,097 | 16         | (364)      | 32,749    | 31,712             | 1,037     |          |       |           |        |
| U.S. Treasury Bills | 16,985    | 5          | (10)       | 16,980    | —                  | 16,980    |          |       |           |        |
| Total               | \$ 50,082 | \$ 21      | \$ (374)   | \$ 49,729 | \$ 31,712          | \$ 18,017 |          |       |           |        |

The Company did not hold any short-term investments as of December 31, 2020.

### 5. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following:

|  | September 30,<br>2021 | December 31,<br>2020 |
|--|-----------------------|----------------------|
| Refundable FDA filing fee (1)                  | \$ —                  | \$ 2,876             |
| Short-term deposits                            | 2,293                 | 2,360                |
| Prepaid insurance                              | 954                   | 415                  |
| Research and development tax credit receivable | 877                   | 801                  |
| Interest receivable                            | 136                   | —                    |
| Other prepaid assets                           | 132                   | 231                  |
| Prepaid research and development expenses      | 51                    | 157                  |
| Value added tax receivable                     | 14                    | 64                   |
| Deferred financing expenses                    | 45                    | —                    |
| Total  | \$ 4,502              | \$ 6,904             |

(1) FDA filing fee refund of \$2,876 was received in January 2021

### 6. Property and Equipment, net

Property and equipment and related accumulated depreciation are as follows:

|                                | September 30,<br>2021 | December 31,<br>2020 |
|--------------------------------|-----------------------|----------------------|
| Leasehold improvements         | \$ 637                | \$ 592               |
| Furniture and fixtures         | 86                    | 120                  |
| Laboratory equipment           | 120                   | 86                   |
| Computer equipment             | 140                   | 137                  |
|                                | 983                   | 935                  |
| Less: accumulated depreciation | (845)                 | (514)                |
|                                | \$ 138                | \$ 421               |

Depreciation expense was \$331 for the nine months ended September 30, 2021 and \$161 for the year ended December 31, 2020.

### 7. Leases

The Company has entered into a number of operating leases, primarily for office space and commercial property. These leases have terms which range from two months to 16.5 years, and generally include an option to terminate or renew. The termination option can reduce the lease term for a period of 10 years, however the remaining lease term does not represent the early termination date as management have concluded that it is reasonably certain that the Company will not exercise this option. The renewal term can extend the lease term for an additional period of three years. This renewal option is represented in the remaining lease term as management have concluded that it is reasonably certain that the Company will exercise this renewal option. In September 2020, the Company entered into a sublease agreement for commercial property. Certain leases contain variable lease payments, including payments based on an index or rate. Variable lease payments based on an index or rate are initially measured using the index or rate in effect at lease

**ITERUM THERAPEUTICS PLC**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
(In thousands, except share and per share data)

commencement. Certain agreements contain both lease and non-lease components. The Company has elected to separately account for these components in determining the lease liabilities and right-of-use assets. The Company's lease agreements generally do not provide an implicit borrowing rate; therefore, an internal incremental borrowing rate was determined based on information available at lease commencement date for the purposes of determining the present value of lease payments. The Company used the incremental borrowing rate on January 1, 2019 for all leases that commenced prior to that date. All operating lease expenses are recognized on a straight-line basis over the lease term. The Company recognized \$259 and \$827 of operating lease costs for right-of-use assets during the three and nine months ended September 30, 2021, respectively and \$231 and \$736 of operating lease costs for right-of-use assets during the three and nine months ended September 30, 2020, respectively. The Company recognized \$77 and \$241 of sublease income during the three and nine months ended September 30, 2021, respectively and \$26 and \$26 of sublease income during the three and nine months ended September 30, 2020, respectively.

Information related to the Company's right-of-use assets and related lease liabilities is as follows:

|   | <u>Three Months<br/>Ended<br/>September 30,<br/>2021</u> | <u>Three Months<br/>Ended<br/>September 30,<br/>2020</u> | <u>Nine Months<br/>Ended<br/>September 30,<br/>2021</u> | <u>Nine Months<br/>Ended<br/>September 30,<br/>2020</u> |
|---|--|--|---|---|
| Cash paid for operating lease liabilities                                   | \$ 156   | \$ 97  | \$ 689  | \$ 683  |
| Right-of-use assets obtained in exchange for new operating lease obligation | —  | —  | —   | —   |
|   |  |  | <u>September 30,<br/>2021</u>                           | <u>December 31,<br/>2020</u>                            |
| Weighted-average remaining lease term                                       |  |  | 13.5 years  | 13.2 years  |
| Weighted-average discount rate  |  |  | 7.0%  | 7.5%  |

Right-of-use assets and lease liabilities for the Company's operating leases were recorded in the condensed consolidated balance sheet as follows, representing the Company's right to use the underlying asset for the lease term ("Other assets") and the Company's obligation to make lease payments ("Other current liabilities" and "Other liabilities"):

|                           | <u>September 30,<br/>2021</u> | <u>December 31,<br/>2020</u> |
|---------------------------|-------------------------------|------------------------------|
| Other assets              | \$ 3,894                      | \$ 5,261                     |
| Other current liabilities | \$ 625                        | \$ 573                       |
| Other liabilities         | 3,608                         | 5,172                        |
| Total lease liabilities   | <u>\$ 4,233</u>               | <u>\$ 5,745</u>              |

Future lease payments included in the measurement of lease liabilities on the condensed consolidated balance sheet as of September 30, 2021 for the following five fiscal years and thereafter were as follows:

|   |                 |
|---|-----------------|
| <b>Due in 12 month period ended September 30,</b> |                 |
| 2022  | \$ 885          |
| 2023  | 602             |
| 2024  | 438             |
| 2025  | 400             |
| 2026  | 318             |
| Thereafter  | <u>3,656</u>    |
|   | \$ 6,299        |
| Less imputed interest                             | <u>(2,066)</u>  |
| Total lease liabilities                           | <u>\$ 4,233</u> |

**ITERUM THERAPEUTICS PLC**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
(In thousands, except share and per share data)

## 8. Accrued Expenses

Accrued expenses consist of the following:

|                                    | September 30,<br>2021 | December 31,<br>2020 |
|------------------------------------|-----------------------|----------------------|
| Accrued payroll and bonus expenses | \$ 769                | \$ 966               |
| Accrued other expenses             | 416                   | 614                  |
| Accrued clinical trial costs       | 33                    | 144                  |
| Accrued manufacturing expenses     | 472                   | 105                  |
| Total                              | <u>\$ 1,690</u>       | <u>\$ 1,829</u>      |

## 9. Debt

### *Secured Credit Facility*

On April 27, 2018, the Company's subsidiaries, Iterum Therapeutics International Limited, Iterum Therapeutics US Holding Limited and Iterum Therapeutics US Limited (the Borrowers), entered into a loan and security agreement (Loan and Security Agreement) with SVB pursuant to which SVB agreed to lend the Borrowers up to \$30,000 in two term loans. \$15,000 of the secured credit facility was funded on closing. A second draw of up to \$15,000 was available to the Company through October 31, 2019, upon satisfaction of either of the following: (i) the achievement by the Company of both non-inferiority and superiority primary endpoints from its Phase 3 uUTI trial, as well as reporting satisfactory safety data from the trial, or (ii) the achievement of non-inferiority primary endpoints from both its Phase 3 uUTI and complicated urinary tract infection (cUTI) trials, as well as reporting satisfactory safety data from the trials. A non-utilization fee of 1.50% of the aggregate undrawn principal amount was to apply if the Company satisfied the above conditions but chose not to draw down the second term loan. The Company did not satisfy the conditions for the second draw above before the deadline of October 31, 2019.

Required monthly amortization payments for the initial \$15,000 draw commenced on November 1, 2019 and total principal repayments of \$4,655 were made during the nine months ended September 30, 2021. Interest accrues at a floating per annum rate equal to the greater of (i) 8.31%; or (ii) 3.89% above the Wall Street Journal prime rate, and is payable monthly in arrears. All outstanding principal, plus a 4.20% final interest payment, will be due and payable on the earliest to occur of March 1, 2022 (the maturity date), the acceleration of the term loan or the prepayment of the term loan. The final payment fee of \$630, which represents 4.2% of the funded loan, is accreted using the effective interest method over the life of the loan as interest expense. Voluntary prepayments are permitted at any time, subject to a prepayment fee of 4.00% in the first year, 3.00% in the second year, and 2.00% thereafter.

In connection with the initial \$15,000 draw, the Company issued SVB and Life Sciences Fund II LLC (LSF) warrants to purchase an aggregate of 19,890 Series B convertible preferred shares (which converted into warrants to purchase 19,890 ordinary shares upon the Company's initial public offering (IPO)) at an exercise price of \$18.85 per share. If the second term loan had been drawn down, each of SVB and LSF would have been automatically entitled to purchase additional ordinary shares in an aggregate amount equal to 2.50% of the second term loan divided by the applicable exercise price.

The loan proceeds were allocated based on the relative fair values of the debt instrument and the warrant instrument. The fair value of the warrants and the closing costs were recorded as debt discounts and are being amortized using the effective interest rate method over the term of the loan. The effective annual interest rate of the outstanding debt is approximately 12.51% as of September 30, 2021. The Company recognized \$116 and \$490 of interest expense related to the loan agreement during the three and nine months ended September 30, 2021, respectively, including \$28 and \$130 related to the accretion of the debt discounts and deferred financing costs during the three and nine months ended September 30, 2021, respectively, and \$315 and \$1,091 of interest expense related to the loan agreement during the three and nine months ended September 30, 2020, respectively, including \$95 and \$324 related to the accretion of the debt discounts and deferred financing costs during the three and nine months ended September 30, 2020, respectively.

In connection with the Private Placement, Iterum Bermuda was joined as a party to the Loan and Security Agreement as a borrower and the Loan and Security Agreement was amended on January 16, 2020 to, among other things, modify the definition of subordinated debt to include the RLNs and Exchangeable Notes.

### *2025 Exchangeable Notes*

On January 21, 2020, the Company completed a Private Placement pursuant to which its wholly owned subsidiary, Iterum Bermuda issued and sold \$51.6 million aggregate principal amount of 6.500% Exchangeable Notes and \$0.1 million aggregate principal amount of RLNs, to a group of accredited investors. On September 8, 2020, the Company completed a Rights Offering pursuant to which Iterum Bermuda issued and sold \$0.2 million aggregate principal amount of 6.500% Exchangeable Notes and \$0.02



**ITERUM THERAPEUTICS PLC**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
(In thousands, except share and per share data)

million aggregate principal amount of RLNs, to existing shareholders. The Securities were sold in Units with each Unit consisting of an Exchangeable Note in the original principal amount of \$1,000 and 50 RLNs. The Units were sold at a price of \$1,000 per Unit.

At any time on or after January 21, 2021, subject to specified limitations, the Exchangeable Notes are exchangeable for the Company's ordinary shares, cash or a combination of ordinary shares and cash, at the Company's election, at an exchange rate of 1,286.1845 shares per \$1,000 principal and interest on the Exchangeable Notes (equivalent to an exchange price of approximately \$0.7775 per ordinary share) as of November 2, 2020, which exchange rate was adjusted from an initial exchange rate of 1,000 shares per \$1,000 principal and interest on the Exchangeable Notes (equivalent to an initial exchange price of \$1.00 per ordinary share) and is subject to further adjustment pursuant to the terms of the Exchangeable Notes Indenture. Any accrued and unpaid interest being exchanged will be calculated to include all interest accrued on the Exchangeable Notes being exchanged to, but excluding, the exchange settlement date. Beginning on January 21, 2021 to September 30, 2021, certain noteholders of \$39.2 million aggregate principal amount of Exchangeable Notes have exchanged their notes for an aggregate of 53,888,331 of the Company's ordinary shares, which included accrued and unpaid interest relating to such notes. The aggregate principal amount of Exchangeable Notes outstanding as of September 30, 2021 was \$12.6 million.

In addition, the Exchangeable Notes will become due and payable by the Company upon the occurrence of a Fundamental Change as defined in the Exchangeable Notes Indenture. The Company will be required to pay the holder of the Exchangeable Notes the greater of three times the outstanding principal amount of such Exchangeable Note and the consideration that would be received by the holder of such Exchangeable Note in connection with such Fundamental Change if the holder had exchanged its note for ordinary shares immediately prior to the consummation of such Fundamental Change, plus any accrued and unpaid interest.

The Company evaluates its debt and equity issuances to determine if those contracts, or embedded components of those contracts, qualify as derivatives under ASC 815-15, *Derivatives and Hedging*, requiring separate recognition in the Company's financial statements. The Company evaluated the accounting for the issuance of the Exchangeable Notes and concluded that the embedded exchange option and change of control feature are considered a Derivative liability under ASC 815-15 requiring bifurcation, from the Exchangeable Notes, as it does not qualify for the scope exceptions for contracts in an entity's own equity given the terms of the Exchangeable Notes. The exchange option and change of control feature are accounted for as a Derivative liability, under ASC 815-15, and are required to be separated and recorded as a single liability, which is revalued each reporting period with the resulting change in fair value reflected in other income, net, in the condensed consolidated statements of operations and comprehensive loss.

The fair value of the Derivative liability related to the Private Placement on January 21, 2020 was \$27,038, and the fair value of the Derivative liability related to the Rights Offering was \$82, both of which were recorded as a reduction to the book value of the host debt contract. This debt discount is being amortized to interest expense over the term of the debt using the effective interest method. Transaction costs amounting to \$2,815 were allocated to the exchange option. These costs are reflected in financing transaction costs in the condensed consolidated statements of operations and comprehensive loss in the year ended December 31, 2020. Transaction costs amounting to \$2,814 were allocated to the debt host and capitalized in the host debt book value.

In circumstances where the embedded exchange option in a convertible instrument is required to be bifurcated, and there are other embedded derivative instruments in the convertible instrument that are required to be bifurcated, the derivative instruments are accounted for as a single, compound derivative instrument. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is reassessed at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not settlement of the derivative instrument is expected within twelve months of the balance sheet date.

The Company determined that all other features of the Exchangeable Notes were clearly and closely associated with a debt host and did not require bifurcation as a Derivative liability. The initial value of the Exchangeable Notes on inception, net of transaction costs, was \$9,891.

The Company recognized \$205 and \$873 of interest expense related to the Exchangeable Notes during the three and nine months ended September 30, 2021, respectively, and \$860 and \$2,339 of interest expense related to the Exchangeable Notes during the three and nine months ended September 30, 2020. The Company recognized \$591 and \$2,302 related to the amortization of the debt discounts and deferred financing costs during the three and nine months ended September 30, 2021, respectively, and \$2,062 and \$5,665 related to the amortization of the debt discounts and deferred financing costs during the three and nine months ended September 30, 2020, respectively. These amounts are recorded in interest expense, net in the condensed consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2021 and September 30, 2020. The balance of the Exchangeable Notes as of September 30, 2021 is as follows:

**ITERUM THERAPEUTICS PLC**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
(In thousands, except share and per share data)

|  | September 30, 2021 |                  |
|--|--------------------|------------------|
|  | Principal          | Accrued Interest |
| January 2020 \$1,000 Exchangeable Notes exchangeable into ordinary shares at \$0.7775 per share, 6.5% interest, due January 31, 2025 (2025 Exchangeable Notes)   | \$ 51,588          | \$ 4,043         |
| September 2020 \$1,000 Exchangeable Notes exchangeable into ordinary shares at \$0.7775 per share, 6.5% interest, due January 31, 2025 (2025 Exchangeable Notes) | 220                | 10               |
| Conversion of \$1,000 Exchangeable Notes exchangeable into ordinary shares at \$0.7775 per share, 6.5% interest, due January 31, 2025 (2025 Exchangeable Notes)  | (39,201)           | (2,697)          |
| 2025 Exchangeable Notes, net   | 12,607             | 1,356            |
| Unamortized discount and debt issuance costs   | (7,829)            | —                |
| 2025 Exchangeable Notes, net   | \$ 4,778           | \$ 1,356         |

***Payment Protection Program***

On April 3, 2020, the SBA launched the Program following the signing of the CARES Act on March 27, 2020. On April 30, 2020, the Borrower entered into the PPP loan with the Lender under the Program, pursuant to the Company receiving a PPP loan of \$744 with a fixed 1% annual interest rate and a maturity of two years. Under the terms of the agreement, there shall be no payments due by the Company until the SBA remits the forgiveness amount to the Borrower or until after the Deferral Period. Following the Deferral Period, equal monthly repayments of principal and interest will be due to fully amortize the principal amount outstanding on the PPP loan by the maturity date. The SBA forgave \$340 of the loan in November 2020. Monthly amortization payments on the remaining loan balance of \$404 began in December 2020 and total principal repayments of \$231 were made during the nine months ended September 30, 2021. The Company recognized \$1 and \$1 of interest expense related to the loan agreement during the three and nine months ended September 30, 2021.

Scheduled principal payments on outstanding debt, including principal amounts owed to RLN holders (see Note 10 – Royalty-Linked Notes), as of September 30, 2021, for the following five fiscal years and thereafter were as follows:

| Year Ending September 30, (unaudited) |    |        |
|---------------------------------------|----|--------|
| 2022                                  | \$ | 3,250  |
| 2023                                  |    | —      |
| 2024                                  |    | —      |
| 2025                                  |    | 12,607 |
| 2026                                  |    | —      |
| Thereafter                            |    | 104    |
| Total                                 | \$ | 15,961 |

**10. Royalty-Linked Notes**

***Liability Related to Sale of Future Royalties***

On January 21, 2020, as part of the Private Placement, the Company issued 2,579,400 RLNs to a group of accredited investors. On September 8, 2020, as part of the Rights Offering, the Company issued 11,000 RLNs to existing shareholders. The RLNs will entitle the holders thereof to payments, at the applicable payment rate, based solely on a percentage of the Company's net revenues from U.S. sales of specified sulopenem products earned through December 31, 2045, but will not entitle the holders thereof to any payments unless the Company receives FDA approval for one or more specified sulopenem products prior to December 31, 2025 and the Company earns net revenues on such product. If any portion of the principal amount of the outstanding RLNs, equal to \$0.04 per RLN, has not been paid as of the end date on December 31, 2045 (or December 31, 2025, in the event that the Company has not yet received FDA approval with respect to one or more specified sulopenem products by such date), Iterum Bermuda must pay the unpaid portion of the principal amount. The RLNs will earn default interest if the Company breaches certain obligations under the RLN Indenture (but do not otherwise bear interest) and will be subject to a maximum return amount, including all principal and payments and certain default interest in respect of uncurable defaults, of \$160.00 (or 4,000 times the principal amount of such note). The RLNs will be redeemable at the Company's option, subject to the terms of the RLN Indenture.

**ITERUM THERAPEUTICS PLC**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
(In thousands, except share and per share data)

In accordance with exceptions allowed under ASC 815-10, *Derivatives and Hedging*, this transaction was initially accounted for as a debt liability under ASC 470, *Debt*. Subsequent to the listing of the RLNs on the Bermuda Stock Exchange in January 2021, the RLNs are accounted for as a derivative and are remeasured to fair value at each reporting date. The Company has no obligation to pay any amount to the noteholders until the net revenue of the specified products are earned. In order to record the amortization of the liability, the Company was required to estimate the total amount of future net revenue to be earned in each period under the RLN Indenture and the payments that will be passed through to the noteholders over the life of the RLN Indenture.

The note proceeds from both the Private Placement and subsequent Rights Offering were allocated based on the relative fair value of the debt instrument, less transactions costs amounting to \$1,239, as debt discounts. The Company imputed interest on the amortized cost of the liability using an estimated effective interest rate of 31.7% up to the date of the change in measurement. Payments to the noteholders in each period, related to future sales of sulopenem, would offset the liability. Subsequent to recognition of the RLN in accordance with ASC 815, *Derivatives and Hedging*, in January 2021, the fair value of the RLN is determined using DCF analysis, without consideration of transaction costs, which represents a Level 3 basis of fair value measurement. The Company periodically assesses the revenue forecasts of the specified sulopenem products and the related payments.

Subsequent to the listing of the RLNs on the Bermuda Stock Exchange in January 2021, the Company recognized the remaining unaccreted interest balance of \$1,204 related to debt discounts and deferred financing costs under ASC 470, *Debt*, in the condensed consolidated statements of operations and comprehensive loss. The fair value of the RLNs as of September 30, 2021 is as follows:

|   | September 30,<br>2021 |
|---|-----------------------|
| Total liability related to the sale of future royalties, on inception               | \$ 10,990             |
| Liability related to the sale of future royalties, arising from the Rights Offering | 51                    |
| Amortization of discount and debt issuance costs                                    | 3,666                 |
| Adjustments to fair value   | 3,696                 |
| Total liability related to the sale of future royalties at September 30, 2021       | <u>18,403</u>         |
| Current Portion   | —                     |
| Long-term Portion   | \$ 18,403             |

## 11. Shareholders' Equity / (Deficit)

The following tables present a reconciliation of the Company's beginning and ending balances in shareholders' equity / (deficit) for the nine months ended September 30, 2021 and 2020:

|   | <u>Total<br/>Shareholders'<br/>Equity / (Deficit)</u> |
|---|---|
| Shareholders' deficit at January 1, 2021                        | \$ (50,559)   |
| Share-based compensation expense                                | 2,352   |
| Issuance of ordinary shares, net                                | 68,161  |
| Issuance of warrants for ordinary shares                        | 6,199   |
| Exercise of warrants for ordinary shares                        | 15,289  |
| Issuance of ordinary shares on conversion of exchangeable notes | 98,388  |
| Net loss  | <u>(87,382)</u>                                       |
| Shareholders' equity at September 30, 2021                      | <u>\$ 52,448</u>                                      |

|   | <u>Total<br/>Shareholders'<br/>Deficit</u> |
|---|--|
| Shareholders' deficit at January 1, 2020    | \$ (26,238)                                |
| Share-based compensation expense            | 2,633                                      |
| Issuance of ordinary shares, net            | 5,326                                      |
| Issuance of warrants for ordinary shares    | 3,196                                      |
| Net loss                                    | <u>(40,820)</u>                            |
| Shareholders' deficit at September 30, 2020 | <u>\$ (55,903)</u>                         |

The Company's capital structure consists of ordinary shares and undesignated preferred shares. Under Irish law, the Company is prohibited from allotting shares without consideration. Accordingly, at least the nominal value of the shares issued underlying any



**ITERUM THERAPEUTICS PLC**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
(In thousands, except share and per share data)

warrant, restricted share award, restricted share unit, performance share award, bonus share or any other share based grant must be paid pursuant to the Irish Companies Act 2014 (Irish Companies Act).

***Ordinary Shares***

On June 3, 2020, the Company entered into the June 3 SPA with the June 3 Purchasers pursuant to which the Company issued and sold, in the June 3 Offering, an aggregate of 2,971,770 ordinary shares, \$0.01 nominal value per share, at a purchase price per share of \$1.6825, for aggregate gross proceeds to the Company of \$5.0 million and net proceeds of \$4.3 million after deducting fees payable to the placement agent and other offering expenses payable by the Company. The closing date of the June 3 Offering was June 5, 2020.

On June 30, 2020, the Company entered into the June 30 SPA with the June 30 Purchasers pursuant to which the Company issued and sold, in the June 30 Offering, an aggregate of 3,372,686 ordinary shares, \$0.01 nominal value per share, at a purchase price per share of \$1.4825, for aggregate gross proceeds to the Company of \$5.0 million and net proceeds of \$4.2 million after deducting fees payable to the placement agent and other offering expenses payable by the Company. The closing date of the June 30 Offering was July 2, 2020.

On October 27, 2020, the Company completed the October Offering in which it sold an aggregate of (i) 15,511,537 ordinary shares, \$0.01 nominal value per share, (ii) pre-funded warrants exercisable for an aggregate of 11,411,539 ordinary shares and (iii) warrants exercisable for an aggregate of 20,192,307 ordinary shares. The ordinary shares and pre-funded warrants were each offered together with the warrants, but the ordinary shares and pre-funded warrants were issued separately from the warrants. The combined offering price was \$0.65 per ordinary share and warrant and \$0.64 per pre-funded warrant and warrant. Aggregate gross proceeds to the Company from the October Offering were \$17.4 million and net proceeds were \$15.5 million after deducting fees payable to the placement agent and other offering expenses payable by the Company.

On February 3, 2021, the Company entered into the Underwriting Agreement pursuant to which it issued and sold 34,782,609 ordinary shares, \$0.01 nominal value per share, at a public offering price per share of \$1.15. The February Underwritten Offering closed on February 8, 2021. Pursuant to the Underwriting Agreement, the Company granted the underwriter an option for a period of 30 days to purchase up to an additional 5,217,391 ordinary shares on the same terms and conditions, which the underwriter exercised in full on February 10, 2021. This exercise increased the total number of ordinary shares sold by the Company in the offering to 40,000,000 shares, which resulted in aggregate gross proceeds of \$46.0 million and net proceeds of \$42.1 million after deducting underwriting discounts and commissions and other offering expenses.

On February 9, 2021, the Company completed the February Registered Direct Offering, pursuant to which the Company issued and sold an aggregate of 17,500,000 ordinary shares, \$0.01 nominal value per share, at a purchase price per share of \$2.00, for aggregate gross proceeds of \$35.0 million and net proceeds of \$32.2 million after deducting placement agent fees and other offering expenses. The closing date of the February Registered Direct Offering was February 12, 2021. The Company offered the ordinary shares in the June 3 Offering, June 30 Offering, February Underwritten Offering and February Registered Direct Offering pursuant to its universal shelf registration statement on Form S-3.

Beginning on January 21, 2021 to September 30, 2021, certain noteholders of \$39.2 million aggregate principal amount of Exchangeable Notes have exchanged their notes for an aggregate of 53,888,331 of the Company's ordinary shares, which included accrued and unpaid interest relating to such notes. The aggregate principal amount of Exchangeable Notes outstanding as of September 30, 2021 was \$12.6 million.

At the Company's annual general meeting of shareholders on June 10, 2020, the Company's shareholders approved an increase of 100,000,000 ordinary shares of \$0.01 par value each to the number of authorized ordinary shares and the Company's Articles of Association were amended accordingly.

At the Company's extraordinary general meeting of shareholders on January 28, 2021, the Company's shareholders approved an increase of an additional 150,000,000 ordinary shares of \$0.01 par value each to the number of authorized ordinary shares and the Company's Articles of Association were amended accordingly. The Company has authorized ordinary shares of 300,000,000 ordinary shares of \$0.01 par value each as of September 30, 2021. The holders of ordinary shares are entitled to one vote for each share held. The holders of ordinary shares currently have no preemptive or other subscription rights, and there are no redemption or sinking fund provisions with respect to such shares.

***Warrants to purchase Ordinary Shares***

In connection with the initial drawdown under the Loan and Security Agreement, the Company issued SVB and LSF warrants to purchase an aggregate of 19,890 Series B convertible preferred shares (which converted into warrants to purchase 19,890 ordinary shares upon the Company's IPO) at an exercise price of \$18.85 per share.

In connection with the June 3 Offering completed on June 5, 2020, pursuant to the June 3 SPA, in a concurrent private placement, the Company issued and sold to the June 3 Purchasers warrants to purchase up to 1,485,885 ordinary shares. Upon closing,



**ITERUM THERAPEUTICS PLC**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
(In thousands, except share and per share data)

the warrants became exercisable immediately at an exercise price of \$1.62 per ordinary share, subject to adjustment in certain circumstances, and will expire on December 5, 2025. Warrants to purchase 208,023 ordinary shares, amounting to 7% of the ordinary shares issued under the June 3 SPA, were issued to designees of the placement agent on the closing of the June 3 Offering. Upon closing, the warrants issued to such designees were exercisable immediately at an exercise price of \$2.1031 per ordinary share and will expire on June 3, 2025.

In connection with the June 30 Offering completed on July 2, 2020, pursuant to the June 30 SPA, in a concurrent private placement, the Company has also issued and sold to the June 30 Purchasers warrants to purchase up to 1,686,343 ordinary shares. Upon closing, the warrants became exercisable immediately at an exercise price of \$1.42 per ordinary share, subject to adjustment in certain circumstances, and will expire on January 2, 2026. Warrants to purchase 236,088 ordinary shares, amounting to 7% of the ordinary shares issued under the June 30 SPA, were issued to designees of the placement agent on closing of the June 30 Offering. Upon closing, the warrants issued to such designees were exercisable immediately at an exercise price of \$1.8531 per ordinary share and will expire on June 30, 2025. As of September 30, 2021, warrants issued in connection with the June 30 Offering had been exercised for 1,264,757 ordinary shares, for net proceeds of \$1.8 million.

In connection with the October Offering, the Company issued and sold warrants to purchase up to 20,192,307 ordinary shares. Upon closing, the warrants became exercisable immediately at an exercise price of \$0.65 per ordinary share, subject to adjustment in certain circumstances, and will expire on October 27, 2025. Warrants to purchase 1,884,615 ordinary shares, which represents a number of ordinary shares equal to 7.0% of the aggregate number of ordinary shares and pre-funded warrants sold in the October Offering, were issued to designees of the placement agent on closing of the October Offering. Upon closing, the warrants issued to such designees became exercisable immediately at an exercise price of \$0.8125 per ordinary share and expire on October 22, 2025. As of September 30, 2021, warrants issued in connection with the October Offering had been exercised for 20,890,516 ordinary shares, for net proceeds of \$13.9 million.

In connection with the February Underwritten Offering, the Company issued to the underwriter's designees warrants to purchase 2,434,783 ordinary shares, amounting to 7.0% of the aggregate number of ordinary shares sold in the February Underwritten Offering which closed on February 8, 2021. The warrants issued to such designees have an exercise price of \$1.4375 per ordinary share, were exercisable upon issuance and will expire on February 3, 2026. As of September 30, 2021, warrants issued in connection with the February Underwritten Offering had been exercised for 380,000 ordinary shares, for net proceeds of \$0.5 million.

The Company has classified the warrants as equity in accordance with ASC 815. The fair value of the warrants was valued at issuance using the Black-Scholes option pricing model with the following assumptions:

|                               | <u>February 8, 2021</u> |
|-------------------------------|-------------------------|
| Volatility                    | 120%                    |
| Expected term in years        | 4.99                    |
| Dividend rate                 | 0%                      |
| Risk-free interest rate       | 0.48%                   |
| Share price                   | \$ 1.54                 |
| Fair value of warrants issued | \$ 1.27                 |

In connection with the February Underwritten Offering, the Company granted the underwriter an option for a period of 30 days to purchase an additional 5,217,391 ordinary shares. Upon the underwriter's exercise of its option, on February 10, 2021, the Company issued warrants to purchase an additional 365,217 ordinary shares to the underwriter's designees, amounting to 7.0% of the aggregate number of additional ordinary shares sold pursuant to the underwriter's option. The warrants issued to such designees have an exercise price of \$1.4375 per ordinary share, were exercisable upon issuance and will expire on February 3, 2026.

The Company has classified the warrants as equity in accordance with ASC 815. The fair value of the warrants was valued at issuance using the Black-Scholes option pricing model with the following assumptions:

|                         | <u>February 10, 2021</u> |
|-------------------------|--------------------------|
| Volatility              | 120%                     |
| Expected term in years  | 4.98                     |
| Dividend rate           | 0%                       |
| Risk-free interest rate | 0.46%                    |
| Share price             | \$ 2.73                  |

|                               |    |      |
|-------------------------------|----|------|
| Fair value of warrants issued | \$ | 2.32 |
|-------------------------------|----|------|

**ITERUM THERAPEUTICS PLC**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
(In thousands, except share and per share data)

In connection with the February Registered Direct Offering which closed on February 12, 2021, warrants to purchase 1,225,000 ordinary shares, amounting to 7.0% of the aggregate number of ordinary shares issued under the February SPA, were issued to designees of the placement agent upon closing. The warrants issued to such designees were exercisable upon issuance at an exercise price of \$2.50 per ordinary share and will expire on February 9, 2026.

The Company has classified the warrants as equity in accordance with ASC 815. The fair value of the warrants was valued at issuance using the Black-Scholes option pricing model with the following assumptions:

|                               | <u>February 12,<br/>2021</u> |
|-------------------------------|------------------------------|
| Volatility                    | 120%                         |
| Expected term in years        | 4.99                         |
| Dividend rate                 | 0%                           |
| Risk-free interest rate       | 0.50%                        |
| Share price                   | \$ 2.26                      |
| Fair value of warrants issued | \$ 1.84                      |

### ***Undesignated Preferred Shares***

The Company has authorized 100,000,000 undesignated preferred shares of \$0.01 par value each as of September 30, 2021. The Company's Board of Directors is authorized by the Company's Articles of Association to determine the rights attaching to the undesignated preferred shares including rights of redemption, rights as to dividends, rights on winding up and conversion rights. There were no designated preferred shares in issue as of September 30, 2021 or December 31, 2020.

### **12. Share-Based Compensation**

On November 18, 2015, the Company's Board of Directors adopted and approved the 2015 Equity Incentive Plan (the 2015 Plan), which authorized the Company to grant up to 223,424 ordinary shares in the form of incentive share options, nonstatutory share options, share appreciation rights, restricted share awards, restricted share units and other share awards. The types of share-based awards, including the rights, amount, terms, and exercisability provisions of grants are determined by the Company's Board of Directors. The purpose of the 2015 Plan is to provide the Company with the flexibility to issue share-based awards as part of an overall compensation package to attract and retain qualified personnel. On May 18, 2017, the Company amended the 2015 Plan to increase the number of ordinary shares available for issuance under the 2015 Plan by 219,605 shares to 443,029 shares.

On March 14, 2018, the Company's Board of Directors adopted and approved the 2018 Equity Incentive Plan (the 2018 Plan), which became effective upon the execution and delivery of the underwriting agreement related to the Company's IPO in May 2018. No further grants will be made under the 2015 Plan. The ordinary shares underlying any options that are forfeited, cancelled, repurchased or are otherwise terminated by the Company under the 2015 Plan will not be added back to the ordinary shares available for issuance.

The 2018 Plan authorizes the Company to grant up to 1,018,459 ordinary shares in the form of incentive share options, nonstatutory share options, share appreciation rights, restricted share awards, restricted share units, performance share awards, performance cash awards and other share awards. The types of share-based awards, including the amount, terms, and exercisability provisions of grants are determined by the Company's Board of Directors. The ordinary shares underlying any options that are forfeited, cancelled, repurchased or are otherwise terminated by the Company under the 2018 Plan will be added back to the ordinary shares available for issuance under the 2018 Plan.

On December 5, 2018, pursuant to powers delegated to it by the Board of Directors of the Company, the Compensation Committee approved an increase in the number of ordinary shares available to be granted pursuant to the 2018 Plan by 4% of the total number of shares of the Company's issued share capital on December 31, 2018, being 574,081 ordinary shares.

On February 14, 2020, pursuant to powers delegated to it by the Board of Directors of the Company, the Compensation Committee approved, by written resolution, an increase of 594,758 ordinary shares to the number of ordinary shares available to be granted pursuant to the 2018 Plan, being just under 4% of the total number of the Company's ordinary shares outstanding on December 31, 2019, in accordance with the terms of the 2018 Plan.

On June 10, 2020, at the Company's annual general meeting of shareholders, the shareholders approved and adopted an amended and restated 2018 Plan which, among other things includes an increase of 2,250,000 ordinary shares to the number of ordinary shares reserved for issuance under the 2018 Plan.

On June 23, 2021, at the Company's annual general meeting of shareholders, the shareholders approved an amendment to the amended and restated 2018 Plan to increase by 15,000,000 ordinary shares the number of ordinary shares reserved for issuance under the amended and restated 2018 Plan.



**ITERUM THERAPEUTICS PLC**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
(In thousands, except share and per share data)

**Share Options**

The Company granted 13,621,412 and 64,840 share options to employees and directors during the nine months ended September 30, 2021 and 2020, respectively, under the 2018 Plan. There were 13,732,567 and 420,783 unvested employee options outstanding as of September 30, 2021 and September 30, 2020, respectively. Total expense recognized related to employee share options was \$1,663 and \$2,104 for the three and nine months ended September 30, 2021, respectively, and \$259 and \$922 for the three and nine months ended September 30, 2020, respectively. Total unamortized compensation expense related to employee share options was \$22,385 and \$1,722 as of September 30, 2021 and September 30, 2020, respectively, which is expected to be recognized over a remaining average vesting period of 3.68 years and 1.81 years as of September 30, 2021 and September 30, 2020, respectively.

The range of assumptions that the Company used to determine the grant date fair value of employee and director options granted were as follows:

|                                    | Nine months ended  |                    |
|------------------------------------|--------------------|--------------------|
|                                    | September 30, 2021 | September 30, 2020 |
| Volatility                         | 120 - 130%         | 90.3% - 99.5%      |
| Expected term in years             | 5.5 - 6.25         | 5.5 - 6.25         |
| Dividend rate                      | 0%                 | 0%                 |
| Risk-free interest rate            | 0.90% - 1.32%      | 0.18% - 0.78%      |
| Share price                        | \$0.56 - \$2.01    | \$1.68 - \$2.03    |
| Fair value of option on grant date | \$0.50 - \$1.75    | \$1.27 - \$1.52    |

The following table summarizes the number of options outstanding and the weighted-average exercise price as of September 30, 2021:

|  | Number of<br>Shares | Weighted<br>Average<br>Exercise<br>Price | Weighted<br>Average<br>Remaining<br>Contractual<br>Life<br>in Years | Aggregate<br>Intrinsic<br>Value<br>(in<br>thousands) |
|--|---------------------|--|---|--|
| Options outstanding December 31, 2020            | 953,377             | \$ 7.36                                  | 5.41  | \$ —   |
| Granted  | 13,621,412          | 1.98                                     |   |  |
| Exercised  | —                   |  |   |  |
| Forfeited  | —                   |  |   |  |
| Expired  | (303,392)           | \$ 8.54                                  |   |  |
| Options outstanding September 30, 2021           | 14,271,397          | \$ 2.20                                  | 9.59  | \$ —   |
| Exercisable at September 30, 2021<br>(unaudited) | 538,830             | \$ 6.65                                  | 6.46  | \$ —   |

**Restricted Share Units (RSUs)**

The Company granted 1,345,328 RSUs to employees and directors during the nine months ended September 30, 2021. No RSUs were granted to employees and directors during the nine months ended September 30, 2020.

The table below shows the number of RSUs outstanding covering an equal number of the Company's ordinary shares and the weighted-average grant date fair value of the RSUs outstanding as of September 30, 2021:

|                                     | Number of<br>Shares | Weighted<br>Average<br>Grant Date Fair<br>Value per Share |
|-------------------------------------|---------------------|---|
| RSUs outstanding December 31, 2020  | —                   |   |
| Granted                             | 1,345,328           | \$ 1.60   |
| Shares vested                       | (60,000)            | \$ 1.60   |
| Forfeited                           | —                   |   |
| RSUs outstanding September 30, 2021 | 1,285,328           | \$ 1.60   |

The fair value of the RSUs is determined on the date of grant based on the market price of the Company's ordinary shares on that date. The fair value of RSUs is expensed ratably over the vesting period, which is generally one year for directors and two years for employees. Total expense recognized related to the RSUs was \$304 and \$668 for the three and nine months ended September 30, 2021, respectively, and \$1 and \$63 for the three and nine months ended September 30, 2020, respectively. Total unamortized compensation expense related to RSUs was \$1,467 as of September 30, 2021, which is expected to be recognized over a remaining average vesting period of 1.35 years as of September 30, 2021.



**ITERUM THERAPEUTICS PLC**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
(In thousands, except share and per share data)

No RSUs, which are subject to certain performance-based vesting conditions (Performance RSUs), were awarded to employees or directors during the nine months ended September 30, 2021. The Company awarded 1,079,000 Performance RSUs to certain employees during the nine months ended September 30, 2020.

The table below shows the number of Performance RSUs outstanding covering an equal number of the Company's ordinary shares and the weighted-average grant date fair value of the Performance RSUs outstanding as of September 30, 2021:

|   | <u>Number of<br/>Shares</u> | <u>Weighted<br/>Average<br/>Grant Date Fair<br/>Value per Share</u> |
|---|-----------------------------|---|
| Performance RSUs outstanding December 31, 2020  | 983,000                     | \$ 2.20   |
| Granted   | —                           |   |
| Shares vested                                   | (629,500)                   | \$ 2.01   |
| Expired   | (327,500)                   | \$ 2.00   |
| Performance RSUs outstanding September 30, 2021 | <u>26,000</u>               |   |

The weighted average grant date fair value of Performance RSUs with a market condition was determined using the Monte Carlo simulation model. The fair value of Performance RSUs is expensed evenly over the vesting period. Due to the expiration of Performance RSUs during the three months ended September 30, 2021, a credit of \$455 and \$420 was recognized for the three and nine months ended September 30, 2021, respectively. Total expense recognized related to Performance RSUs was \$590 and \$1,648 for the three and nine months ended September 30, 2020, respectively. All RSUs were fully expensed as of September 30, 2021. Total unamortized compensation expense related to Performance RSUs was \$381 as of September 30, 2020, which is expected to be recognized over a remaining average vesting period of 0.42 years as of September 30, 2020.

The Company's share-based compensation expense was classified in the condensed consolidated statements of operations and comprehensive loss as follows:

|                                    | <u>Three Months Ended<br/>September 30,</u> |             | <u>Nine Months Ended<br/>September 30,</u> |             |
|------------------------------------|---|-------------|--|-------------|
|                                    | <u>2021</u>                                 | <u>2020</u> | <u>2021</u>                                | <u>2020</u> |
|                                    | (unaudited)                                 |             | (unaudited)                                |             |
| Research and development expense   | \$ 570                                      | \$ 292      | \$ 748                                     | \$ 872      |
| General and administrative expense | 942   | 558         | 1,604                                      | 1,761       |

There was a total of \$23,852 and \$2,103 unamortized share-based compensation expense for options, RSUs and Performance RSUs as of September 30, 2021 and September 30, 2020, respectively, which is expected to be recognized over a remaining average vesting period of 3.58 years and 0.65 years as of September 30, 2021 and September 30, 2020, respectively.

### 13. Income Taxes

In accordance with the FASB ASC 270, *Interim Reporting*, and ASC 740, *Income Taxes*, at the end of each interim period, the Company is required to determine the best estimate of its annual effective tax rate and then apply that rate in providing for income taxes on a current year-to-date (interim period) basis. For the nine months ended September 30, 2021 and 2020, the Company recorded an income tax expense of \$534 and \$719, respectively.

Deferred tax assets and deferred tax liabilities are recognized based on temporary differences between the financial reporting and tax bases of assets and liabilities using statutory rates. Management of the Company has evaluated the positive and negative evidence bearing upon the realizability of its deferred tax assets, including the Company's history of losses and determined that it is more-likely-than-not that these net deferred tax assets will not be realized. As of September 30, 2021 and December 31, 2020, the Company has net operating loss carryforwards in Ireland which result in tax benefits of approximately \$32,984 and \$30,261, respectively, for which a full valuation allowance has been recognized. The net operating loss carryforwards do not expire, but are carried forward indefinitely. Realization of these deferred tax assets is dependent on the generation of sufficient taxable income. If the Company demonstrates consistent profitability in the future, the evaluation of the recoverability of these deferred tax assets may change and the remaining valuation allowance may be released in part or in whole. While management expects to realize the deferred tax assets, net of valuation allowances, changes in estimates of future taxable income or in tax laws may alter this expectation.

**ITERUM THERAPEUTICS PLC**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
(In thousands, except share and per share data)

#### **14. Commitments and Contingencies**

##### ***License Agreement***

On November 18, 2015, the Company entered into a license agreement with Pfizer for the worldwide exclusive rights to research, develop, manufacture and commercialize sulopenem (the Pfizer License).

As part of the Pfizer License, the Company is obligated to pay Pfizer potential future regulatory milestone payments as well as sales milestones upon achievement of net sales ranging from \$250.0 million to \$1.0 billion for each product type. The Company is also obligated to pay Pfizer royalties ranging from a single-digit to mid-teens percentage based on marginal net sales of each licensed product.

##### ***Royalty-Linked Notes***

On January 21, 2020, as part of the Private Placement, the Company issued 2,579,400 RLNs to a group of accredited investors. On September 8, 2020, as part of the Rights Offering, the Company issued 11,000 RLNs to existing shareholders. The RLNs will entitle the holders thereof to payments, at the applicable payment rate, based solely on a percentage of the Company's net revenues from U.S. sales of specified sulopenem products earned through December 31, 2045, but will not entitle the holders thereof to any payments unless the Company receives FDA approval for one or more specified sulopenem products prior to December 31, 2025 and the Company earns net revenues on such product. If any portion of the principal amount of the outstanding RLNs, equal to \$0.04 per RLN, has not been paid as of the end date on December 31, 2045 (or December 31, 2025, in the event that the Company has not yet received FDA approval with respect to one or more specified sulopenem products by such date), Iterum Bermuda must pay the unpaid portion of the principal amount. The RLNs will earn default interest if the Company breaches certain obligations under the RLN Indenture (but do not otherwise bear interest) and will be subject to a maximum return amount, including all principal and payments and certain default interest in respect of uncured defaults, of \$160.00 (or 4,000 times the principal amount of such note). The RLNs will be redeemable at the Company's option, subject to the terms of the RLN Indenture.

##### ***Legal Proceedings***

On August 5, 2021, a class putative action lawsuit was filed against the Company, its Chief Executive Officer and Chief Financial Officer in the United States District Court for the Northern District of Illinois. The complaint purports to be brought on behalf of shareholders who purchased the Company's securities between November 30, 2020 and July 23, 2021. The complaint generally alleges that the defendants violated Section 10(b) and/or 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by making purportedly material misstatements or omissions concerning the Company's submission of its NDA to the FDA for marketing approval of oral sulopenem for the treatment of uUTIs in patients with a quinolone non-susceptible pathogen and the likelihood of such approval. The complaint seeks, among other things, unspecified damages, attorneys' fees, expert fees and other costs. The court appointed a lead plaintiff and approved plaintiff's selection of lead counsel on November 3, 2021. The Company denies any and all allegations of wrongdoing and believes the defendants have valid defenses against these claims and, therefore, intends to vigorously defend against this lawsuit.

##### ***Other Contingencies***

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. At each reporting date the Company evaluates whether or not a potential loss amount or a potential loss range is probable and reasonably estimable under the provisions of the authoritative guidelines that address accounting for contingencies. The Company expenses costs as incurred in relation to such legal proceedings. The Company has no contingent liabilities in respect of legal claims arising in the ordinary course of business.

Under the terms of their respective employment agreements, each of the named executive officers is eligible to receive severance payments and benefits upon a termination without "cause" or due to "permanent disability", or upon "resignation for good reason", contingent upon the named executive officer's continued performance for the Company.

#### **15. Condensed Consolidating Financial Statements**

On January 21, 2020, the Company completed a Private Placement pursuant to which its wholly owned subsidiary, Iterum Bermuda, issued and sold \$51.6 million aggregate principal amount of Exchangeable Notes and \$0.1 million aggregate principal amount of RLNs to a group of accredited investors. On September 8, 2020, the Company completed a Rights Offering pursuant to which Iterum Bermuda issued and sold \$0.2 million aggregate principal amount of Exchangeable Notes and \$0.02 million aggregate principal amount of RLNs to existing shareholders. The Securities were sold in Units with each Unit consisting of an Exchangeable Note in the original principal amount of \$1,000 and 50 RLNs. As of September 30, 2021, \$12.6 million aggregate principal amount of Exchangeable Notes and all RLNs remained outstanding.

**ITERUM THERAPEUTICS PLC**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
(In thousands, except share and per share data)

The Units were issued by Iterum Bermuda, which was formed on November 6, 2019 and is a 100% owned “finance subsidiary” of the Company under Rule 3-10 of Regulation S-X with no independent function and no assets or operations other than those related to the issuance, administration and repayment of the Exchangeable Notes and RLNs. Iterum Therapeutics plc, as the parent company, has no independent assets or operations, and its operations are conducted solely through its subsidiaries. The assets, liabilities and results of operations of the Company, Iterum Bermuda and Iterum Therapeutics International Limited, Iterum Therapeutics US Holding Limited and Iterum Therapeutics US Limited (the Subsidiary Guarantors) are not materially different than the corresponding amounts presented in the consolidated financial statements of this Quarterly Report on Form 10-Q. The Company and the Subsidiary Guarantors have provided a full and unconditional guarantee of Iterum Bermuda’s obligations under the Exchangeable Notes and the RLNs, and each of the guarantees constitutes the joint and several obligations of the applicable guarantor. The Subsidiary Guarantors are 100% directly or indirectly owned subsidiaries of the Company. There are no significant restrictions upon the Company’s or the Subsidiary Guarantors’ ability to obtain funds from their subsidiaries by dividend or loan. None of the assets of Iterum Bermuda or the Subsidiary Guarantors represent restricted net assets pursuant to Rule 4-08(e)(3) of Regulation S-X.

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

*You should read the following discussion and analysis of our financial condition and results of operations together with our condensed consolidated financial statements and the related notes and the other financial information included elsewhere in this Quarterly Report on Form 10-Q. Some of the information contained in this discussion and analysis or set forth elsewhere in this Quarterly Report on Form 10-Q, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements that involve risks and uncertainties. As a result of many factors, including those factors set forth in the "Risk Factors" section of this Quarterly Report on Form 10-Q, our actual results could differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.*

### Overview

We are a clinical stage pharmaceutical company dedicated to developing and commercializing sulopenem to be potentially the first oral branded penem available in the United States and the first and only oral and intravenous (IV) branded penem available globally. Penems, including thiopenems and carbapenems, belong to a class of antibiotics more broadly defined as  $\beta$ -lactam antibiotics, the original example of which was penicillin, but which now also includes cephalosporins. Sulopenem is a potent, thiopenem antibiotic delivered intravenously which is active against bacteria that belong to the group of organisms known as gram-negatives and cause urinary tract and intra-abdominal infections. We have also developed sulopenem in an oral tablet formulation, sulopenem etzadroxil-probenecid, which we refer to herein as oral sulopenem. We believe that sulopenem and oral sulopenem have the potential to be important new treatment alternatives to address growing concerns related to antibacterial resistance without the known toxicities of some of the most widely used antibiotics, specifically fluoroquinolones.

During the third quarter of 2018, we initiated all three clinical trials in our Phase 3 development program which included: a Phase 3 uncomplicated urinary tract infection (uUTI) clinical trial, known as Sulopenem for Resistant Enterobacteriaceae (SURE) 1, comparing oral sulopenem to oral ciprofloxacin in women with uUTI, a Phase 3 complicated urinary tract infection (cUTI) clinical trial known as SURE 2, comparing IV sulopenem followed by oral sulopenem to IV ertapenem followed by oral ciprofloxacin in adults with cUTI and a Phase 3 complicated intra-abdominal infection (cIAI) clinical trial known as SURE 3, comparing IV sulopenem followed by oral sulopenem to IV ertapenem followed by a combination of oral ciprofloxacin and oral metronidazole in adults with cIAI. We designed one Phase 3 clinical trial in each indication based on our end of Phase 2 meeting with the U.S. Food and Drug Administration (FDA) and feedback from the European Medicines Agency (EMA). We conducted the Phase 3 clinical trials under Special Protocol Assessment (SPA) agreements from the FDA. In December 2019, we announced that sulopenem did not meet the primary endpoint of statistical non-inferiority compared to the control therapy for the cIAI trial. In the second quarter of 2020, we announced the results of our Phase 3 clinical trials in cUTI and uUTI. In the cUTI trial, sulopenem did not meet the primary endpoint of statistical non-inferiority compared to the control therapies with the difference in response rates driven almost entirely by higher rates of asymptomatic bacteriuria on the sulopenem IV to oral sulopenem arm relative to the ertapenem IV to oral ciprofloxacin arm, only evident at the test of cure visit. The rates of patients receiving additional antibiotics or with residual cUTI symptoms were similar between therapies. Similarly, in the uUTI trial, sulopenem did not meet the primary endpoint of statistical non-inferiority compared to ciprofloxacin in the population of patients with baseline pathogens susceptible to ciprofloxacin driven to a large degree by a greater amount of asymptomatic bacteriuria in the sulopenem treated patients at the test of cure visit relative to those receiving ciprofloxacin. However, in the uUTI trial, in the population of patients with baseline pathogens resistant to quinolones, sulopenem achieved the related primary endpoint by demonstrating statistical significance in the overall response rate by treatment arm in the ciprofloxacin-resistant population, providing evidence of a treatment effect in patients with uUTI. Based on discussions with the FDA at a pre-New Drug Application (NDA) meeting in September 2020 and previous correspondence with the FDA, we submitted an NDA for oral sulopenem for the treatment of uUTIs in patients with a quinolone non-susceptible pathogen in the fourth quarter of 2020 and the FDA accepted the application for review in January 2021. We received a Complete Response Letter (CRL) from the FDA on July 23, 2021 for our NDA. The CRL provided that the FDA had completed its review of the NDA and had determined that it could not approve the NDA in its present form. The CRL further provided that additional data are necessary to support approval of oral sulopenem for the treatment of adult women with uUTIs caused by designated susceptible microorganisms proven or strongly suspected to be non-susceptible to a quinolone and recommended that we conduct at least one additional adequate and well-controlled clinical trial, potentially using a different comparator drug. Additionally, the FDA recommended that we conduct further non-clinical investigation to determine the optimal dosing regimen, although the FDA stated that this recommendation does not raise an approvability issue. We had a Type A meeting with the FDA in September 2021 to identify and discuss the steps required for potential resubmission of the NDA for approval of oral sulopenem. We have requested a Type B meeting with the FDA to discuss the design of a potential new clinical trial to support such potential resubmission. There can be no assurance that we will be in a position to resolve the matters set forth in the CRL in the timeframe required, or at all, that we will be able to design, initiate and complete the future clinical trial and potential non-clinical studies intended to support a resubmission of our NDA, or that any data generated by future clinical and potential non-clinical investigation will be adequate to support resubmission or approval of our NDA.

On May 30, 2018 we completed an initial public offering (IPO) of our ordinary shares and issued and sold 6,150,000 ordinary shares at a public offering price of \$13.00 per share, resulting in net proceeds of \$71.8 million after deducting underwriting discounts and commissions and offering costs payable by us. On June 26, 2018, we issued and sold an additional 200,000 ordinary shares at the IPO price of \$13.00 per share pursuant to the underwriters' partial exercise of their option to purchase additional ordinary shares, resulting in additional net proceeds of \$2.4 million after deducting underwriting discounts and commissions and offering costs payable



by us. Aggregate net proceeds from the IPO totalled \$74.2 million after deducting underwriting discounts and commissions and offering costs payable by us.

On July 5, 2019, we filed a universal shelf registration statement on Form S-3 (File No. 333-232569) with the Securities and Exchange Commission (SEC), which was declared effective on July 16, 2019, and pursuant to which we registered for sale up to \$150.0 million of any combination of our ordinary shares, preferred shares, debt securities, warrants and/or units from time to time and at prices and on terms that we may determine. As of October 31, 2021, we had issued \$98.1 million of securities registered under our universal shelf registration statement.

On January 21, 2020, we completed a private placement pursuant to which our wholly owned subsidiary, Iterum Therapeutics Bermuda Limited (Iterum Bermuda), issued and sold \$51.6 million aggregate principal amount of 6.500% Exchangeable Senior Subordinated Notes due 2025 (Exchangeable Notes) and \$0.1 million aggregate principal amount of Limited Recourse Royalty-Linked Subordinated Notes (the RLNs and, together with the Exchangeable Notes, the Securities) to a group of accredited investors (the Private Placement). On September 8, 2020, we completed a rights offering (the Rights Offering) pursuant to which our wholly owned subsidiary, Iterum Bermuda, issued and sold \$0.2 million aggregate principal amount of 6.500% Exchangeable Notes and \$0.02 million aggregate principal amount of RLNs to existing shareholders. The Securities were sold in units (the Units) with each Unit consisting of an Exchangeable Note in the original principal amount of \$1,000 and 50 RLNs. The Units were sold at a price of \$1,000 per Unit. As of January 21, 2021, subject to specified limitations, the Exchangeable Notes are exchangeable for our ordinary shares, cash or a combination of ordinary shares and cash, at an exchange rate of 1,286.1845 shares per \$1,000 principal and interest on the Exchangeable Notes (equivalent to an exchange price of approximately \$0.7775 per ordinary share) as of November 2, 2020, which exchange rate was adjusted from the initial exchange rate of 1,000 shares per \$1,000 principal and interest on the Exchangeable Notes (equivalent to an initial exchange price of \$1.00 per ordinary share) and is subject to further adjustment pursuant to the terms of the indenture governing the Exchangeable Notes (the Exchangeable Notes Indenture). Beginning on January 21, 2021 to September 30, 2021, certain noteholders of \$39.2 million aggregate principal amount of Exchangeable Notes have exchanged their notes for an aggregate of 53,888,331 of the Company's ordinary shares, which included accrued and unpaid interest relating to such notes. The aggregate principal amount of Exchangeable Notes outstanding as of September 30, 2021 was \$12.6 million. The RLNs entitle holders to payments based on a percentage of our net revenues from potential U.S. sales of specified sulopenem products, subject to the terms and conditions of the indenture governing the RLNs (the RLN Indenture). Pursuant to the RLN Indenture, the payments on the RLNs will be up to either 15% or 20% of net revenues from U.S. sales of such products, depending on the indication approved by the FDA. The aggregate amount of payments on each RLN is capped at \$160.00 (or 4,000 times the principal amount of such RLN). Iterum Bermuda received net proceeds from the sale of the Units in both the Private Placement and Rights Offering of \$44.7 million, after deducting placement agent fees and offering expenses.

In April 2020, we began deferring payment on our share of U.S. payroll taxes owed, as allowed by the Coronavirus Aid Relief and Economic Security Act (CARES Act) through December 31, 2020. We are able to defer half of our share of U.S. payroll taxes owed until December 31, 2021, with the remaining half due on December 31, 2022.

On April 3, 2020, the U.S. Small Business Administration (SBA) launched a Paycheck Protection Program (the Program), which was established following the signing of the CARES Act on March 27, 2020. On April 30, 2020, our wholly owned subsidiary, Iterum Therapeutics US Limited (the Borrower), entered into a note (PPP loan) with Silicon Valley Bank (SVB) (the Lender) under the Program, pursuant to the Borrower receiving a PPP loan of \$0.7 million with a fixed 1% annual interest rate and a maturity of two years. Under the terms of the agreement, there were no payments due by us until the earlier of the date the SBA remits the forgiveness amount to the Borrower or 10 months after the end of the six-month period beginning April 30, 2020 (the Deferral Period). Following the Deferral Period, equal monthly repayments of principal and interest will be due to fully amortize the principal amount outstanding on the PPP loan by the maturity date. The SBA forgave \$340 of the loan in November 2020, and amortization of the remaining loan of \$404 began in December 2020 with equal monthly repayments of \$26 through March 2022.

On June 3, 2020, we entered into a Securities Purchase Agreement (June 3 SPA) with certain institutional investors (the June 3 Purchasers) pursuant to which we issued and sold, in a registered direct offering (the June 3 Offering), an aggregate of 2,971,770 ordinary shares, \$0.01 nominal value per share, at a purchase price per share of \$1.6825, for aggregate gross proceeds to us of \$5.0 million and net proceeds of \$4.3 million after deducting fees payable to the placement agent and other offering expenses payable by us. We offered the ordinary shares in the June 3 Offering pursuant to our universal shelf registration statement on Form S-3. Pursuant to the June 3 SPA, in a concurrent private placement, we issued and sold to the June 3 Purchasers warrants to purchase up to 1,485,885 ordinary shares. Upon closing, the warrants became exercisable immediately at an exercise price of \$1.62 per ordinary share, subject to adjustment in certain circumstances, and will expire on December 5, 2025. The closing date of the June 3 Offering was June 5, 2020. Warrants to purchase 208,023 ordinary shares, amounting to 7% of the ordinary shares issued under the June 3 SPA, were issued to designees of the placement agent on closing of the June 3 Offering. Upon closing, the warrants issued to such designees became exercisable immediately at an exercise price of \$2.1031 per ordinary share, and will expire on June 3, 2025.

On June 30, 2020, we entered into a securities purchase agreement (June 30 SPA) with certain institutional investors (the June 30 Purchasers) pursuant to which we issued and sold in a registered direct offering (the June 30 Offering) an aggregate of 3,372,686 ordinary shares, \$0.01 nominal value per share, at a purchase price per share of \$1.4825, for aggregate gross proceeds to us of \$5.0 million and net proceeds of \$4.2 million after deducting fees payable to the placement agent and other offering expenses payable by us. We offered the ordinary shares in the June 30 Offering pursuant to our universal shelf registration statement on

Form S-3. Pursuant to the June 30 SPA, in a concurrent private placement, we issued and sold to the June 30 Purchasers warrants to purchase up to 1,686,343 ordinary shares. Upon closing the warrants were exercisable immediately at an exercise price of \$1.42 per ordinary share, subject to adjustment in certain circumstances, and will expire on January 2, 2026. The June 30 Offering closed on July 2, 2020. Warrants to purchase 236,088 ordinary shares, amounting to 7% of the ordinary shares issued under the June 30 SPA, were issued to

designees of the placement agent on closing of the June 30 Offering. Upon closing, the warrants issued to such designees became exercisable immediately at an exercise price of \$1.8531 per ordinary share, and will expire on June 30, 2025.

On October 27, 2020, we completed a registered public offering (the October Offering) in which we sold an aggregate of (i) 15,511,537 ordinary shares, \$0.01 nominal value per share, (ii) pre-funded warrants exercisable for an aggregate of 11,411,539 ordinary shares and (iii) warrants exercisable for an aggregate of 20,192,307 ordinary shares. The pre-funded warrants were issued and sold to certain purchasers whose purchase of ordinary shares in the October Offering would have otherwise resulted in the purchaser, together with its affiliates and certain related parties, beneficially owning more than 4.99% (or, at the election of the purchaser, 9.99%) of our outstanding ordinary shares immediately following the consummation of the October Offering, if the purchaser so chose in lieu of ordinary shares that would have otherwise resulted in such excess ownership. The ordinary shares and pre-funded warrants were each offered together with the warrants, but the ordinary shares and pre-funded warrants were issued separately from the warrants. The combined offering price was \$0.65 per ordinary share and warrant and \$0.64 per pre-funded warrant and warrant. Our net proceeds from the October Offering, after deducting placement agent fees and other offering expenses payable by us, were \$15.5 million. The warrants are exercisable upon issuance at a price of \$0.65 per ordinary share, subject to adjustment in certain circumstances, and expire on October 27, 2025. The pre-funded warrants are exercisable upon issuance at a price of \$0.01 per ordinary share, subject to adjustment in certain circumstances, and expire when exercised in full, subject to certain conditions. As of December 31, 2020, all pre-funded warrants had been exercised for net proceeds of \$0.11 million. In connection with the October Offering, we entered into a Securities Purchase Agreement (the Purchase Agreement) on October 22, 2020 with certain institutional investors. The Purchase Agreement contains customary representations and warranties of ours, termination rights of the parties, and certain indemnification obligations of ours. Warrants to purchase 1,884,615 ordinary shares, which represents a number of ordinary shares equal to 7.0% of the aggregate number of ordinary shares and pre-funded warrants sold in the October Offering, were issued to designees of the placement agent on closing of the October Offering. Upon closing, the warrants issued to such designees became exercisable immediately at an exercise price of \$0.8125 per ordinary share and expire on October 22, 2025.

On February 3, 2021, we entered into an amended and restated underwriting agreement (the Underwriting Agreement) with H. C. Wainwright & Co., LLC as the sole underwriter to issue and sell 34,782,609 ordinary shares, \$0.01 nominal value per share, in an underwritten public offering with a public offering price of \$1.15 per share (the February Underwritten Offering). We offered the ordinary shares in the February Underwritten Offering pursuant to our universal shelf registration statement on Form S-3. The February Underwritten Offering closed on February 8, 2021. Pursuant to the Underwriting Agreement, we granted the underwriter an option for a period of 30 days to purchase up to an additional 5,217,391 ordinary shares on the same terms and conditions, which the underwriter exercised in full on February 10, 2021. This increased the total number of ordinary shares we sold in the February Underwritten Offering to 40,000,000 shares, which resulted in aggregate net proceeds to us of approximately \$42.1 million after deducting underwriting discounts and commissions and other offering expenses. In addition, pursuant to the Underwriting Agreement, we issued upon the closings of the February Underwritten Offering to the underwriter's designees warrants to purchase 2,800,000 ordinary shares, amounting to 7.0% of the aggregate number of ordinary shares sold in the February Underwritten Offering, including the underwriter's option to purchase an additional 5,217,391 ordinary shares. The warrants issued to such designees of the underwriter have an exercise price of \$1.4375 per ordinary share, were exercisable upon issuance and will expire on February 3, 2026.

On February 9, 2021, we entered into a securities purchase agreement (the February SPA) with several healthcare-focused institutional investors pursuant to which we agreed to issue and sell in a registered direct offering (the February Registered Direct Offering) an aggregate of 17,500,000 ordinary shares, \$0.01 nominal value per share, at a purchase price of \$2.00 per share, for aggregate net proceeds to us of \$32.2 million after deducting placement agent fees and other offering expenses. We offered the ordinary shares in the February Registered Direct Offering pursuant to our universal shelf registration statement on Form S-3. The February Registered Direct Offering closed on February 12, 2021. The Underwriting Agreement and February SPA entered into in February 2021 also contain ongoing covenants for us, including a prohibition on us entering into variable rate transactions for a period of 12 months after the closing of the relevant transaction, subject to certain exceptions. Warrants to purchase 1,225,000 ordinary shares, amounting to 7.0% of the aggregate number of ordinary shares issued under the February SPA, were issued to designees of the placement agent on closing of the February Registered Direct Offering. Upon closing, warrants issued to such designees became exercisable immediately at an exercise price of \$2.50 per ordinary share, subject to adjustment in certain circumstances, and will expire on February 9, 2026.

Since our inception, we have incurred significant operating losses. Our ability to generate product revenue sufficient to achieve profitability will depend heavily on the successful development and eventual commercialization of oral sulopenem and sulopenem. As of September 30, 2021, we had an accumulated deficit of \$374.3 million. We expect to continue to incur significant expenses for the foreseeable future as we identify the next steps as to the potential additional clinical and non-clinical work to support a potential resubmission of the NDA for approval of oral sulopenem. In addition, if we obtain marketing approval for oral sulopenem, we expect to incur significant commercialization expenses related to product manufacturing, marketing, sales and distribution. We may also incur expenses in connection with the further clinical development of IV sulopenem and clinical development of sulopenem in additional indications, the establishment of additional sources for the manufacture of sulopenem tablets and, if relevant, IV vials or the in-license or acquisition of additional product candidates. Additionally, we have incurred and expect to incur additional costs associated with operating as a public company, including significant legal, accounting, investor relations and other expenses that we did not incur as a private company.

Until such time as we can obtain marketing approval for oral sulopenem, sulopenem or any future product candidate and generate significant revenue from product sales, if ever, we expect to finance our operations through a combination of equity

offerings, debt financings, collaboration agreements, other third-party funding, strategic alliances, licensing arrangements, marketing and distribution arrangements or government funding. We may be unable to raise additional funds or enter into such other agreements or arrangements when needed on favorable terms, or at all. If we fail to raise capital or enter into such agreements as, and when, needed, we may have to significantly delay, scale back or discontinue the development and commercialization of our sulopenem program, or otherwise change our strategy.

Because of the numerous risks and uncertainties associated with product development, we are unable to predict the timing or amount of increased expenses or when or if we will be able to achieve or maintain profitability. Even if we are able to generate product sales, we may not become profitable. If we fail to become profitable or are unable to sustain profitability on a continuing basis, then we may be unable to continue our operations at planned levels and be forced to reduce or terminate our operations.

As of September 30, 2021, we had cash, cash equivalents and restricted cash of \$36.0 million and short-term investments of \$49.7 million. We believe that our cash, cash equivalents and short-term investments balance as of September 30, 2021 should be sufficient to fund our operating expenses and capital expenditure requirements into 2024, based on our current operating plan, and subject to final determination of the design and planned conduct of potential additional clinical and non-clinical development for oral sulopenem. However, this estimate is based on assumptions that may prove to be wrong, and our operating plans may change as a result of many factors and various risks and uncertainties.

We are currently evaluating our corporate, strategic, financial and financing alternatives, with the goal of maximizing value for our stakeholders while prudently managing our remaining resources. These alternatives could potentially include the licensing, sale or divestiture of our assets or proprietary technologies, a sale of our company, a merger or other business combination or another strategic transaction involving us. The evaluation of corporate, strategic, financial and financing alternatives may not result in any particular action or any transaction being pursued, entered into or consummated, and there is no assurance as to the timing, sequence or outcome of any action or transaction or series of actions or transactions.

### ***COVID-19 Global Pandemic***

In December 2019, an outbreak of COVID-19 was reported in Wuhan, China. On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and on March 13, 2020, prior U.S. President Donald J. Trump declared the virus a national emergency. This highly contagious disease has spread to most of the countries in the world and throughout the United States, creating a serious impact on customers, workforces, and suppliers, disrupting economies and financial markets, and potentially leading to a world-wide economic downturn. It has caused a disruption of the normal operations of many businesses, including the temporary closure or scale-back of business operations and/or the imposition of either quarantine or remote work or meeting requirements for employees, either by government order or on a voluntary basis. The pandemic may impact the ability of our strategic partners to operate and fulfill their contractual obligations, and result in an increase in their costs and cause delays in performance. We may experience an impact to the timelines of any potential additional clinical and non-clinical development for sulopenem due to the worldwide spread of COVID-19. These effects, and the direct effect of the virus and any potential disruption on our operations, may negatively impact our ability to meet our strategic targets. Our employees, in most cases, are working remotely due to safety concerns and using various technologies to perform their functions. We feel we have sufficient office and IT resources to allow employees to return to office work or work from home indefinitely based on the latest government advice. Additionally, the disruption and volatility in the global and domestic capital markets may increase the cost of capital and limit our ability to access capital. Both the health and economic aspects of COVID-19 are highly fluid and the future course of each is uncertain. For these reasons and other reasons that may come to light if the coronavirus pandemic and associated protective or preventative measures expand, we may experience a material adverse effect on our business operations and financial condition; however, its ultimate impact is highly uncertain and subject to change.

We cannot foresee if and when the outbreak of COVID-19 will be effectively contained, nor can we predict the severity and duration of its impact. COVID-19 has not yet had a significant impact on the Company's day to day operations but there can be no assurance that the continued spread of COVID-19 and the responsive measures taken to date will not impact patient enrolment on our ongoing Phase 1 clinical trial related to pediatric indications and any additional clinical trial(s) conducted in response to the CRL to support a potential resubmission of our NDA. Additionally, the COVID-19 pandemic could impact the FDA's regulatory review process, including delays in the requested Type B meeting to discuss the design of a potential new clinical trial to support a potential resubmission of the NDA for approval of oral sulopenem following receipt of the CRL in July 2021, meetings related to planned or completed clinical trials and ultimately the review and approval of our product candidates. The FDA's review of any resubmitted NDA for the approval of oral sulopenem for the treatment of uUTI may be delayed due to COVID-19, including an inability to schedule, or delays in scheduling, meetings and inspections. Additionally, the COVID-19 pandemic may negatively impact our ability to initiate or complete future clinical trials, disrupt our regulatory and commercialization activities, and result in other adverse effects on our business and operations.

Management is actively monitoring the global situation and its possible effects on our financial condition, liquidity, suppliers, industry, and operations including manufacturing, clinical trials and workforce. Given the daily evolution of the COVID-19 pandemic and the global responses to curb its spread, we are not able to estimate the adverse effects of the COVID-19 pandemic on our results of operations, financial condition, or liquidity.

## Components of Our Results of Operations

### *Operating Expenses*

#### *Research and Development Expenses*

Research and development expenses consist primarily of costs incurred in connection with the development of our sulopenem program, which include:

- expenses incurred under agreements with contract research organizations (CROs), contract manufacturing organizations (CMOs), as well as investigative sites and consultants that conduct our clinical trials, preclinical studies and other scientific development services;
- manufacturing scale-up expenses and the cost of acquiring and manufacturing preclinical and clinical trial materials and commercial materials, including manufacturing validation batches;
- employee-related expenses, including salaries, related benefits, travel and share-based compensation expense for employees engaged in research and development functions;
- costs related to compliance with regulatory requirements, including the preparation and support of regulatory filings;
- facilities costs, depreciation and other expenses, which include rent under operating lease agreements and utilities; and
- payments made in cash, equity securities or other forms of consideration under third-party licensing agreements.

We expense research and development costs as incurred. Advance payments we make for goods or services to be received in the future for use in research and development activities are recorded as prepaid expenses. We recognize external development costs based on an evaluation of the progress to completion of specific tasks using information provided to us by our service providers.

The successful development and commercialization of oral sulopenem and/or sulopenem is highly uncertain. At this time, we cannot reasonably estimate or know the nature, timing and costs of the efforts that will be necessary to complete the clinical development of our sulopenem program or when, if ever, material net cash inflows may commence from any of our product candidates. This uncertainty is due to the numerous risks and uncertainties associated with product development and commercialization, including the uncertainty of:

- the impact of the COVID-19 pandemic on the economy and our business generally including the impact the pandemic may have on our ability to efficiently conduct any additional clinical trial(s) to support a potential resubmission of our NDA for oral sulopenem, timing of regulatory review, potential approval and commercialization of any future products, including sulopenem for the treatment of uUTI;
- the scope, progress, outcome and costs of our clinical trials and other research and development activities;
- successful patient enrollment in, and the initiation and completion of, clinical trials;
- our ability to apply for regulatory approval, including the potential resubmission of our NDA for oral sulopenem, and the timing or likelihood of any such filings and approvals;
- the timing, receipt and terms of any marketing approvals from applicable regulatory authorities;
- establishing commercial manufacturing capabilities or making arrangements with third-party manufacturers;
- development and timely delivery of commercial drug formulations (i) that can be used in our clinical trials and (ii) that are available for commercial launch;
- obtaining, maintaining, defending and enforcing patent claims and other intellectual property rights;
- significant and changing government regulation;
- launching commercial sales of our product candidates, if and when approved, whether alone or in collaboration with others; and
- maintaining a continued acceptable safety profile of the product candidates following approval.

We may never succeed in achieving regulatory approval for any of our product candidates. For example, in the results of our cIAI clinical trial, sulopenem did not meet the primary endpoint of statistical non-inferiority compared to the control therapy for the cIAI trial. In the second quarter of 2020, we announced the results of our Phase 3 clinical trials of sulopenem for the treatment of cUTI and uUTI. In the cUTI trial, sulopenem did not meet the primary endpoint of statistical non-inferiority compared to the control therapies with the difference in response rates driven almost entirely by higher rates of asymptomatic bacteriuria on the sulopenem IV to oral sulopenem arm relative to the ertapenem IV to oral ciprofloxacin arm, only evident at the test of cure visit; the rates of patients receiving additional antibiotics or with residual cUTI symptoms were similar between therapies. Similarly, in the uUTI trial,



sulopenem did not meet the primary endpoint of statistical non-inferiority compared to ciprofloxacin in the population of patients with baseline pathogens susceptible to ciprofloxacin driven to a large degree by a greater amount of asymptomatic bacteriuria in the sulopenem treated patients at the test of cure visit relative to those receiving ciprofloxacin. However, in the uUTI trial, in the population of patients with baseline pathogens resistant to quinolones, sulopenem achieved the related primary endpoint by demonstrating statistical significance in the overall response rate by treatment arm in the ciprofloxacin-resistant population, providing evidence of a treatment effect in patients with uUTI. Notwithstanding failure to meet the endpoints described above, in all three Phase 3 clinical trials, at all timepoints measured, the clinical response to sulopenem and/or oral sulopenem was similar to the comparator regimen (non-inferior), except in the instance of the quinolone non-susceptible population in the Phase 3 uUTI trial in which oral sulopenem was statistically superior. Based on discussions with the FDA at a pre-NDA meeting in September 2020 and previous correspondence with the FDA, we submitted an NDA for oral sulopenem for the treatment of uUTIs in patients with a quinolone non-susceptible pathogen in the fourth quarter of 2020 and the FDA accepted the application for review in January 2021. We received a CRL from the FDA on July 23, 2021 for our NDA. The CRL provided that additional data are necessary to support approval of oral sulopenem for the treatment of adult women with uUTIs caused by designated susceptible microorganisms proven or strongly suspected to be non-susceptible to a quinolone and recommended that we conduct at least one additional adequate and well-controlled clinical trial, potentially using a different comparator drug. Additionally, the FDA recommended that we conduct further non-clinical investigation to determine the optimal dosing regimen, although the FDA stated that this recommendation does not raise an approvability issue. We had a Type A meeting with the FDA in September 2021 to identify and discuss the steps required for potential resubmission of the NDA for approval of oral sulopenem. We have requested a Type B meeting with the FDA to discuss the design of a potential new clinical trial to support such potential resubmission. Depending on the extent of these or any other FDA-required studies, approval of any NDA(s) or other application that we submit may be significantly delayed or may require us to expend more resources than we have available. There can be no assurance that we will be in a position to resolve the matters set forth in the CRL in the timeframe required, or at all, that we will be able to design, initiate and complete the future clinical trial and potential non-clinical studies intended to support a potential resubmission of our NDA or that any data generated by future clinical and potential non-clinical investigation will be adequate to support resubmission or approval of our NDA.

#### *General and Administrative Expenses*

General and administrative expenses consist primarily of salaries, related benefits and share-based compensation expense for personnel in executive, finance, market research and administrative functions. General and administrative expenses also include director compensation, travel expenses, insurance, professional fees for legal, patent, consulting, accounting and audit services, pre-commercialization activities and market preparation expenses.

Following receipt of the CRL, in order to reduce operating expenses and conserve cash resources, we halted any remaining pre-commercial activities for oral sulopenem and plan to limit spending to essential costs required in connection with the potential resubmission of the NDA. If and when we believe regulatory approval of oral sulopenem and/or sulopenem appears likely, we anticipate an increase in payroll and expenses as a result of our preparation for commercial operations.

#### *Interest Expense, Net*

Interest expense, net consists of interest incurred and amortization of debt costs on our loan from SVB, interest incurred on our PPP loan, interest accrued and amortization of debt costs with respect to the Exchangeable Notes and RLNs (through January 2021), interest earned on our cash and cash equivalents, which are generally invested in money market accounts and interest earned on our investments in marketable securities. Interest on the Exchangeable Notes is not payable until maturity of the instrument unless exchanged prior to maturity in accordance with the terms of the Exchangeable Notes Indenture at which time any accrued and unpaid interest becomes due and payable.

#### *Financing Transaction Costs*

Financing transaction costs consist of the portion of transaction costs incurred in relation to the Private Placement and the Rights Offering allocated to derivative liabilities (the Derivative liability).

#### *Adjustments to Fair Value of Derivatives*

Derivative liabilities are revalued at each balance sheet date and the change in fair value during the reporting period is recorded in the condensed consolidated statements of operations as adjustments to fair value of derivatives.

#### *Other Income, Net*

Other income, net consists of realized and unrealized foreign currency gains / (losses) incurred in the normal course of business based on movement in the applicable exchange rates.

#### *Provision for Income Taxes*

We recognize income taxes under the asset and liability method. Deferred income taxes are recognized for differences between the financial reporting and tax bases of assets and liabilities at enacted statutory tax rates in effect for the years in which the differences are expected to reverse. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. In evaluating our ability to recover our deferred tax assets, we consider all available positive and negative



evidence including past operating results, the existence of cumulative income in the most recent fiscal years, changes in the business in which we operate and our forecast of future taxable income. In determining future taxable income, we are responsible for assumptions utilized including the amount of Irish, U.S. and other foreign pre-tax operating income, the reversal of temporary differences and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates that we are using to manage the underlying business.

Valuation allowances are provided if it is more likely than not that some portion or all of the deferred tax assets will not be realized. We account for uncertain tax positions using a more-likely-than-not threshold for recognizing and resolving uncertain tax positions. The evaluation of uncertain tax positions is based on factors including, but not limited to, changes in tax law, the measurement of tax positions taken or expected to be taken in tax returns, the effective settlement of matters subject to audit, new audit activity and changes in facts or circumstances related to a tax position. We evaluate our tax positions on a quarterly basis. We also accrue for potential interest and penalties related to unrecognized tax benefits in income tax expense.

### Critical Accounting Policies and Significant Judgments and Estimates

Our condensed consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States. The preparation of our condensed consolidated financial statements and related disclosures requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and the disclosure of contingent assets and liabilities in our financial statements. We believe that our critical accounting policies described under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Significant Judgments and Estimates" in our Annual Report on Form 10-K filed with the SEC on March 12, 2021, involve the most judgment and complexity. Accordingly, we believe the policies set forth in such Annual Report on Form 10-K are critical to fully understanding and evaluating our financial condition and results of operations. If actual results or events differ materially from the estimates, judgments and assumptions used by us in applying these policies, our reported financial condition and results of operations could be materially affected. There have been no significant changes to our critical accounting policies from those described in our Annual Report on Form 10-K filed with the SEC on March 12, 2021, other than a change to the measurement method of the RLNs and the adoption of accounting pronouncements as described in Note 2 to the condensed consolidated financial statements appearing elsewhere in this Quarterly Report on Form 10-Q.

### Results of Operations

#### Comparison of the three months ended September 30, 2021 and 2020

The following table summarizes our operating loss and income / (loss) before income tax for the three months ended September 30, 2021 and 2020 (in thousands):

|                                     | Three Months Ended |             |           |
|-------------------------------------|--------------------|-------------|-----------|
|                                     | September 30,      |             |           |
|                                     | 2021               | 2020        | Change    |
| Operating expenses:                 |                    |             |           |
| Research and development            | \$ (1,845)         | \$ (3,937)  | \$ 2,092  |
| General and administrative          | (3,029)            | (2,398)     | (631)     |
| Total operating expenses            | (4,874)            | (6,335)     | 1,461     |
| Operating loss                      | (4,874)            | (6,335)     | 1,461     |
| Total other income / (expense), net | 8,967              | (5,444)     | 14,411    |
| Income / (loss) before income taxes | \$ 4,093           | \$ (11,779) | \$ 15,872 |

#### Research and Development Expenses (in thousands)

|   | Three Months Ended |          |            |
|---|--------------------|----------|------------|
|   | September 30,      |          |            |
|   | 2021               | 2020     | Change     |
| CRO and other preclinical and clinical trial expenses       | \$ 408             | \$ 1,885 | \$ (1,477) |
| Consulting fees   | 328                | 944      | (616)      |
| Chemistry, manufacturing and control (CMC) related expenses | 365                | 650      | (285)      |
| Personnel related (including share-based compensation)      | 744                | 458      | 286        |
| Total research and development expenses                     | \$ 1,845           | \$ 3,937 | \$ (2,092) |

The decrease in CRO and other preclinical and clinical trial expenses of \$1.5 million was primarily due to a decrease in costs incurred related to our three Phase 3 clinical trials, which were completed in 2020. The decrease in consulting fees of \$0.6 million was primarily due to a decrease in research and development activities in the 2021 period. Consulting fees in the three months ended September 30, 2020 primarily related to consultants used for the preparation of our NDA filing in the fourth quarter of 2020. CMC related expenses decreased by \$0.3 million primarily as a result of process validation of our active pharmaceutical ingredient (API) by



our former secondary supplier in the 2020 period. Personnel related costs increased by \$0.3 million primarily as a result of an increase in share-based compensation for employees in our CMC, clinical and regulatory functions. Personnel related costs for the three months ended September 30, 2021 and 2020 included share-based compensation expense of \$0.6 million and \$0.3 million, respectively.

*General and Administrative Expenses (in thousands)*

|  | <b>Three Months Ended</b> |                 |               |
|--|---------------------------|-----------------|---------------|
|  | <b>September 30,</b>      |                 |               |
|  | <b>2021</b>               | <b>2020</b>     | <b>Change</b> |
| Personnel related (including share-based compensation) | \$ 1,576                  | \$ 1,223        | \$ 353        |
| Facility related and other                             | 851                       | 710             | 141           |
| Professional and consulting fees                       | 602                       | 465             | 137           |
| Total general and administrative expenses              | <u>\$ 3,029</u>           | <u>\$ 2,398</u> | <u>\$ 631</u> |

Personnel related costs increased by \$0.4 million primarily as a result of an increase in share-based compensation for employees in our general and administration functions. Personnel related costs for the three months ended September 30, 2021 and 2020 included share-based compensation expense of \$0.8 million and \$0.6 million, respectively. Facility related and other costs increased by \$0.1 million primarily as a result of an increase in share-based compensation for directors. Facility related costs for the three months ended September 30, 2021 and 2020 included share-based compensation expense of \$0.1 million and \$0.0 million, respectively, for directors. Professional and consulting fees increased by \$0.1 million primarily as a result of an increase in consultants used to support our general and administration functions.

The following table summarizes our *total other income / (expense), net* for the three months ended September 30, 2021 and 2020 (in thousands):

|  | <b>Three Months Ended</b> |                   |                  |
|--|---------------------------|-------------------|------------------|
|  | <b>September 30,</b>      |                   |                  |
|  | <b>2021</b>               | <b>2020</b>       | <b>Change</b>    |
| Interest expense, net                    | \$ (849)                  | \$ (4,183)        | \$ 3,334         |
| Financing transaction costs              | —                         | (685)             | 685              |
| Adjustments to fair value of derivatives | 9,783                     | (644)             | 10,427           |
| Other income, net                        | 33                        | 68                | (35)             |
| Total other income / (expense), net      | <u>\$ 8,967</u>           | <u>\$ (5,444)</u> | <u>\$ 14,411</u> |

*Interest Expense, Net*

Interest expense, net decreased by \$3.3 million for the three months ended September 30, 2021 as compared to the prior year period primarily as a result of a decrease in accrued interest on our Exchangeable Notes and a decrease in interest expense related to our SVB credit agreement due to a decrease in the balances outstanding.

*Financing Transaction Costs*

Financing transaction costs allocated to the Derivative liability and related to the Rights Offering were \$0.7 million for the three months ended September 30, 2020. No such expenses were incurred during the three months ended September 30, 2021.

*Adjustments to Fair Value of Derivatives*

Adjustments to the fair value of the Derivative liability were \$9.8 million for the three months ended September 30, 2021. This non-cash adjustment related to a decrease in the value of the derivative components associated with the Exchangeable Notes, primarily as a result of a decrease in the price of our ordinary shares and our market capitalization during the period, partially offset by an increase in the fair value of the RLNs. Adjustments to the fair value of derivatives were \$0.6 million for the three months ended September 30, 2020.

*Other Income, Net*

Other income, net consists of realized and unrealized foreign currency gains incurred in the normal course of business based on movement in the applicable exchange rates.

### Comparison of the nine months ended September 30, 2021 and 2020

The following table summarizes our operating loss and loss before income tax for the nine months ended September 30, 2021 and 2020 (in thousands):

|                            | Nine Months Ended |             |             |
|----------------------------|-------------------|-------------|-------------|
|                            | September 30,     |             |             |
|                            | 2021              | 2020        | Change      |
| Operating expenses:        |                   |             |             |
| Research and development   | \$ (7,010)        | \$ (18,723) | \$ 11,713   |
| General and administrative | (10,698)          | (8,759)     | (1,939)     |
| Total operating expenses   | (17,708)          | (27,482)    | 9,774       |
| Operating loss             | (17,708)          | (27,482)    | 9,774       |
| Total other expense, net   | (69,140)          | (12,619)    | (56,521)    |
| Loss before income taxes   | \$ (86,848)       | \$ (40,101) | \$ (46,747) |

#### Research and Development Expenses (in thousands)

|   | Nine Months Ended |           |             |
|---|-------------------|-----------|-------------|
|   | September 30,     |           |             |
|   | 2021              | 2020      | Change      |
| CRO and other preclinical and clinical trial expenses       | \$ 1,789          | \$ 9,387  | \$ (7,598)  |
| Consulting fees   | 2,573             | 2,555     | 18          |
| Chemistry, manufacturing and control (CMC) related expenses | 1,025             | 2,386     | (1,361)     |
| Personnel related (including share-based compensation)      | 1,623             | 4,395     | (2,772)     |
| Total research and development expenses                     | \$ 7,010          | \$ 18,723 | \$ (11,713) |

The decrease in CRO and other preclinical and clinical trial expenses of \$7.6 million was primarily due to a decrease in costs incurred related to our Phase 3 clinical trials, which were completed in 2020. Consulting fees remained flat period over period at approximately \$2.6 million. The decrease in CMC related expenses of \$1.4 million primarily relates to the completion of analytical and process validation work related to the API in 2020 at our former secondary supplier. Personnel related costs decreased by \$2.8 million primarily as a result of a reduction in headcount, and a reduction in share-based compensation expense for employees in our CMC, clinical and regulatory functions. Personnel related costs for the nine months ended September 30, 2021 and 2020 included share-based compensation expense of \$0.7 million and \$0.9 million, respectively.

#### General and Administrative Expenses (in thousands)

|  | Nine Months Ended |          |            |
|--|-------------------|----------|------------|
|  | September 30,     |          |            |
|  | 2021              | 2020     | Change     |
| Personnel related (including share-based compensation) | \$ 3,161          | \$ 4,375 | \$ (1,214) |
| Facility related and other                             | 2,531             | 2,377    | 154        |
| Professional and consulting fees                       | 5,006             | 2,007    | 2,999      |
| Total selling, general and administrative expenses     | \$ 10,698         | \$ 8,759 | \$ 1,939   |

Personnel related costs decreased by \$1.2 million primarily as a result of a decrease in headcount, and a reduction in share-based compensation for employees in our general and administration functions. Personnel related costs for the nine months ended September 30, 2021 and 2020 included share-based compensation expense of \$1.4 million and \$1.8 million, respectively. Facility related and other costs increased by \$0.2 million primarily as a result of an increase in compensation for directors. Facility related costs for the nine months ended September 30, 2021 and 2020 included share-based compensation expense of \$0.2 million and \$0.2 million, respectively, for directors. Professional and consulting fees increased by \$3.0 million as a result of an increase in consultants used to support our general and administration functions and pre-commercialization activities that occurred prior to receipt of the CRL.

The following table summarizes our *total other expense, net* for the nine months ended September 30, 2021 and 2020 (in thousands):

|  | Nine Months Ended |             |             |
|--|-------------------|-------------|-------------|
|  | September 30,     |             |             |
|  | 2021              | 2020        | Change      |
| Interest expense, net                    | \$ (4,781)        | \$ (10,854) | \$ 6,073    |
| Financing transaction costs              | —                 | (2,815)     | 2,815       |
| Adjustments to fair value of derivatives | (64,526)          | 1,023       | (65,549)    |
| Other income, net                        | 167               | 27          | 140         |
| Total other expense, net                 | \$ (69,140)       | \$ (12,619) | \$ (56,521) |

### *Interest Expense, net*

Interest expense, net decreased by \$6.1 million primarily as a result of a decrease in accrued interest on our Exchangeable Notes and a decrease in interest expense related to our SVB credit agreement due to a decrease in the balances outstanding.

### *Financing Transaction Costs*

Financing transaction costs, which include costs expensed on recognition of the Derivative liability, were \$2.8 million for the nine months ended September 30, 2020. No such expenses were incurred during the nine months ended September 30, 2021.

### *Adjustments to Fair Value of Derivatives*

Adjustments to the fair value of the Derivative liability for the nine months ended September 30, 2021 were \$64.5 million. This non-cash adjustment related to an increase in the value of derivative components associated with the Exchangeable Notes which were exchanged in the first half of 2021 and an increase in the fair value of our RLNs, partially offset by a decrease in the value of the derivative components associated with the Exchangeable Notes, primarily as a result of a decrease in the price of our ordinary shares and our market capitalization during the period. Adjustments to the fair value of derivatives were \$1.0 million for the nine months ended September 30, 2020.

### *Other Income, net*

Other income, net consists of realized and unrealized foreign currency gains incurred in the normal course of business based on movement in the applicable exchange rates.

## **Liquidity and Capital Resources**

Since our inception, we have incurred significant operating losses and negative cash flows from our operations. We have generated limited revenue to date from a funding arrangement with CARB-X. We have funded our operations to date primarily through the issuance of ordinary and convertible preferred shares, warrants, debt raised under financing arrangements with SVB including the PPP loan, a sub-award from the Trustees of Boston University under the CARB-X program and the proceeds of the Private Placement and the Rights Offering pursuant to which our wholly owned subsidiary, Iterum Bermuda issued and sold \$51.8 million aggregate principal amount of 6.500% Exchangeable Notes and \$0.1 million aggregate principal amount of RLNs. Through September 30, 2021, we had received cash proceeds of \$198.2 million from sales of our Series A and Series B preferred shares and ordinary shares, \$15.0 million from the first drawdown of our SVB loan, net proceeds of \$45.0 million from the Private Placement and the Rights Offering, \$0.7 million from the drawdown of our PPP loan, combined net proceeds of \$8.6 million from the June 3, 2020 Offering and the June 30, 2020 Offering and \$1.8 million from the exercise of warrants issued in the June 30 Offering, net proceeds of \$15.5 million from the October 2020 Offering and \$13.9 million from the exercise of warrants issued in the October Offering, net proceeds of \$42.1 million from the February Underwritten Offering and \$0.5 million from the exercise of warrants issued in the February Underwritten Offering and net proceeds of \$32.2 million from the February Registered Direct Offering.

As of September 30, 2021, we had cash, cash equivalents and restricted cash of \$36.0 million and short-term investments of \$49.7 million.

### ***Secured Credit Facility***

On April 27, 2018, our subsidiaries, Iterum Therapeutics International Limited, Iterum Therapeutics US Holding Limited and Iterum Therapeutics US Limited (the Subsidiary Borrowers), entered into a loan and security agreement (Loan and Security Agreement) with SVB pursuant to which SVB agreed to lend the Subsidiary Borrowers up to \$30.0 million in two term loans. \$15.0 million of the secured credit facility was funded on closing. A second draw of up to \$15.0 million was available to us through October 31, 2019, upon satisfaction of either of the following: (i) our achievement of both non-inferiority and superiority primary endpoints from our Phase 3 uUTI clinical trial, as well as reporting satisfactory safety data from the trial, or (ii) our achievement of non-inferiority primary endpoints from both our Phase 3 uUTI and cUTI clinical trials, as well as reporting satisfactory safety data from the trials. A non-utilization fee of 1.50% of the aggregate undrawn principal amount was to apply if we satisfied the above conditions but chose not to draw down the second term loan. We did not satisfy the conditions for the second draw above before the deadline of October 31, 2019.

Required monthly amortization payments for the initial \$15.0 million draw commenced on November 1, 2019 and total principal repayments of \$4.7 million were made during the nine months ended September 30, 2021. Interest accrues at a floating per annum rate equal to the greater of (i) 8.31%; or (ii) 3.89% above the Wall Street Journal prime rate, and is payable monthly in arrears. All outstanding principal, plus a 4.20% final interest payment, will be due and payable on the earliest to occur of March 1, 2022 (the maturity date), the acceleration of the term loan or the prepayment of the term loan. The final payment fee of \$0.6 million which represents 4.2% of the funded loan, is accreted using the effective interest method over the life of the loan as interest expense. Voluntary prepayments are permitted at any time, subject to a prepayment fee of 4.00% in the first year, 3.00% in the second year, and 2.00% thereafter.

In connection with the initial \$15.0 million draw, we issued SVB and Life Sciences Fund II LLC (LSF) warrants to purchase an aggregate of 19,890 Series B convertible preferred shares (which converted into warrants to purchase 19,890 ordinary shares

upon our IPO) at an exercise price of \$18.85 per share. If the second term loan had been drawn down, each of SVB and LSF would have been

automatically entitled to purchase additional ordinary shares in an aggregate amount equal to 2.50% of the second term loan divided by the applicable exercise price.

Obligations under the secured credit facility are secured by substantially all of our existing and future assets and the existing and future assets of our subsidiaries, including intellectual property.

In connection with the Private Placement, Iterum Bermuda was joined as a party to the Loan and Security Agreement as a borrower and the Loan and Security Agreement was amended on January 16, 2020 to, among other things, modify the definition of subordinated debt to include the RLNs and Exchangeable Notes.

### ***2025 Exchangeable Notes and Royalty-Linked Notes***

On January 21, 2020, we completed the Private Placement pursuant to which our wholly owned subsidiary, Iterum Bermuda issued and sold \$51.6 million aggregate principal amount of 6.500% Exchangeable Notes and \$0.1 million aggregate principal amount of RLNs, to a group of accredited investors. On September 8, 2020, we completed the Rights Offering pursuant to which our wholly owned subsidiary, Iterum Bermuda issued and sold \$0.2 million aggregate principal amount of 6.500% Exchangeable Notes and \$0.02 million aggregate principal amount of RLNs, to existing shareholders. The Securities were sold in Units with each Unit consisting of an Exchangeable Note in the original principal amount of \$1,000 and 50 RLNs. The Units were sold at a price of \$1,000 per Unit. At any time on or after January 21, 2021, subject to specified limitations, the Exchangeable Notes are exchangeable for our ordinary shares, cash or a combination of ordinary shares and cash, at an exchange rate of 1,286.1845 shares per \$1,000 principal and interest on the Exchangeable Notes (equivalent to an exchange price of approximately \$0.7775 per ordinary share) as of November 2, 2020, which exchange rate was adjusted from an initial exchange rate of 1,000 shares per \$1,000 of principal and interest on the Exchangeable Notes (equivalent to an initial exchange price of approximately \$1.00 per ordinary share), and is subject to further adjustment pursuant to the terms of the Exchangeable Notes Indenture. The Exchangeable Notes will mature on January 31, 2025. Beginning on January 21, 2021 to September 30, 2021, certain noteholders of \$39.2 million aggregate principal amount of Exchangeable Notes have exchanged their notes for an aggregate of 53,888,331 of the Company's ordinary shares, which included accrued and unpaid interest relating to such notes. The aggregate principal amount of Exchangeable Notes outstanding as of September 30, 2021 was \$12.6 million. The RLNs entitle holders to payments based on a percentage of our net revenues from potential U.S. sales of specified sulopenem products subject to the terms and conditions of the RLN Indenture. Pursuant to the RLN Indenture, the payments on the RLNs will be up to either 15% or 20% of net revenues from U.S. sales of such products, depending on the indication approved by the FDA. The aggregate amount of payments on each RLN is capped at \$160.00 (or 4,000 times the principal amount of such RLN). Iterum Bermuda received net proceeds from the sale of the Units of \$44.7 million, after deducting placement agent fees and offering expenses.

### ***Registered Direct Offerings***

On June 3, 2020, we entered into the June 3 SPA with the June 3 Purchasers pursuant to which we issued and sold, in the June 3 Offering, an aggregate of 2,971,770 ordinary shares, \$0.01 nominal value per share, at a purchase price per share of \$1.6825, for aggregate gross proceeds to us of \$5.0 million and net proceeds of \$4.3 million after deducting fees payable to the placement agent and other offering expenses payable by us. We offered the ordinary shares in the June 3 Offering pursuant to our universal shelf registration statement on Form S-3. Pursuant to the June 3 SPA, in a concurrent private placement, we issued and sold to the June 3 Purchasers warrants to purchase up to 1,485,885 ordinary shares. Upon closing, the warrants became exercisable immediately at an exercise price of \$1.62 per ordinary share, subject to adjustment in certain circumstances, and will expire on December 5, 2025. The closing date of the June 3 Offering was June 5, 2020. Warrants to purchase 208,023 ordinary shares, amounting to 7% of the ordinary shares issued under the June 3 SPA, were issued to designees of the placement agent on the closing of the June 3 Offering. Upon closing, the warrants issued to such designees became exercisable immediately at an exercise price of \$2.1031 per ordinary share, and will expire on June 3, 2025.

On June 30, 2020, we entered into the June 30 SPA with the June 30 Purchasers pursuant to which we issued and sold in the June 30 Offering an aggregate of 3,372,686 ordinary shares, \$0.01 nominal value per share, at a purchase price per share of \$1.4825, for aggregate gross proceeds to us of \$5.0 million and net proceeds of \$4.2 million after deducting fees payable to the placement agent and other offering expenses payable by us. We offered the ordinary shares in the June 30 Offering pursuant to our universal shelf registration statement on Form S-3. Pursuant to the June 30 SPA, in a concurrent private placement, we issued and sold to the June 30 Purchasers warrants to purchase up to 1,686,343 ordinary shares. Upon closing, the warrants were exercisable immediately at an exercise price of \$1.42 per ordinary share, subject to adjustment in certain circumstances, and will expire on January 2, 2026. The June 30 Offering closed on July 2, 2020. Warrants to purchase 236,088 ordinary shares, amounting to 7% of the ordinary shares issued under the June 30 SPA, were issued to designees of the placement agent on closing of the June 30 Offering. Upon closing, the warrants issued to such designees became exercisable immediately at an exercise price of \$1.8531 per ordinary share, and will expire on June 30, 2025.

On February 9, 2021, we entered into the February SPA pursuant to which we issued and sold in the February Registered Direct Offering an aggregate of 17,500,000 ordinary shares, \$0.01 nominal value per share, at a purchase price of \$2.00 per share, for aggregate net proceeds to us of \$32.2 million after deducting placement agent fees and other estimated offering expenses payable by us. We offered the ordinary shares in the February Registered Direct Offering pursuant to our universal shelf registration statement on Form S-3. The February Registered Direct Offering closed on February 12, 2021. Warrants to purchase 1,225,000 ordinary shares,



amounting to 7.0% of the aggregate number of ordinary shares issued under the February SPA, were issued to designees of the placement agent on closing of the February Registered Direct Offering. Upon closing, warrants issued to such designees became exercisable immediately at an exercise price of \$2.50 per ordinary share and will expire on February 9, 2026.

### ***October 2020 Offering***

On October 27, 2020, we completed the October Offering in which we sold an aggregate of (i) 15,511,537 ordinary shares, \$0.01 nominal value per share, (ii) pre-funded warrants exercisable for an aggregate of 11,411,539 ordinary shares and (iii) warrants exercisable for an aggregate of 20,192,307 ordinary shares. The pre-funded warrants were issued and sold to certain purchasers whose purchase of ordinary shares in the October Offering would have otherwise resulted in the purchaser, together with its affiliates and certain related parties, beneficially owning more than 4.99% (or, at the election of the purchaser, 9.99%) of the Company's outstanding ordinary shares immediately following the consummation of the October Offering, if the purchaser so chose in lieu of ordinary shares that would have otherwise resulted in such excess ownership. The ordinary shares and pre-funded warrants were each offered together with the warrants, but the ordinary shares and pre-funded warrants were issued separately from the warrants. The combined offering price was \$0.65 per ordinary share and warrant and \$0.64 per pre-funded warrant and warrant. Our net proceeds from the October Offering, after deducting placement agent fees and other offering expenses payable by us, were approximately \$15.5 million. The warrants are exercisable upon issuance at a price of \$0.65 per ordinary share, subject to adjustment in certain circumstances, and expire on October 27, 2025. The pre-funded warrants are exercisable upon issuance at a price of \$0.01 per ordinary share, subject to adjustment in certain circumstances, and expire when exercised in full, subject to certain conditions. All pre-funded warrants have been exercised for net proceeds of \$0.11 million. In connection with the October Offering, we entered into a Purchase Agreement on October 22, 2020 with certain institutional investors. The Purchase Agreement contains customary representations and warranties of ours, termination rights of the parties, and certain indemnification obligations of ours. Warrants to purchase 1,884,615 ordinary shares, which represents a number of ordinary shares equal to 7.0% of the aggregate number of ordinary shares and pre-funded warrants sold in the October Offering, were issued to designees of the placement agent on closing of the October Offering. Upon closing, the warrants issued to such designees became exercisable immediately at an exercise price of \$0.8125 per ordinary share and expire on October 22, 2025.

### ***February 2021 Underwritten Offering***

On February 3, 2021, we entered into an Underwriting Agreement pursuant to which we issued and sold 34,782,609 ordinary shares, \$0.01 nominal value per share, at a public offering price of \$1.15 per share. We offered the ordinary shares in the February Underwritten Offering pursuant to our universal shelf registration statement on Form S-3. The February Underwritten Offering closed on February 8, 2021. Pursuant to the Underwriting Agreement, we granted the underwriter an option for a period of 30 days to purchase up to an additional 5,217,391 ordinary shares on the same terms and conditions, which the underwriter exercised in full on February 10, 2021. This increased the total number of ordinary shares we sold in the February Underwritten Offering to 40,000,000 shares, which resulted in aggregate net proceeds of \$42.1 million after deducting underwriting discounts and commissions and estimated offering expenses. The Underwriting Agreement and February SPA entered into in February 2021 also contain ongoing covenants for us, including a prohibition on us entering into variable rate transactions for a period of 12 months after the closing of the relevant transaction, subject to certain exceptions. In addition, pursuant to the Underwriting Agreement, we agreed to issue to the underwriter's designees warrants to purchase 2,800,000 ordinary shares, which is equal to 7.0% of the aggregate number of ordinary shares sold in the February Underwritten Offering, including the underwriter's option to purchase an additional 5,217,391 ordinary shares. The warrants issued to such designees of the underwriter have an exercise price of \$1.4375 per ordinary share, were exercisable upon issuance and will expire on February 3, 2026.

### ***Payment Protection Program***

In April 2020, we began deferring payment on our share of U.S. payroll taxes owed, as allowed by the CARES Act through December 31, 2020. We are able to defer half of our share of U.S. payroll taxes owed until December 31, 2021, with the remaining half due on December 31, 2022.

On April 3, 2020 the SBA launched the Program, which was established following the signing of the CARES Act on March 27, 2020. On April 30, 2020, our wholly owned subsidiary, the Borrower, entered into the PPP loan with the Lender under the Program, pursuant to the Borrower receiving a loan of \$0.7 million with a fixed 1% annual interest rate and a maturity of two years. Under the terms of the agreement, there were no payments due until the earlier of the SBA remitting the forgiveness amount to the Borrower or the Deferral Period. Following the Deferral Period, equal monthly repayments of principal and interest will be due to fully amortize the principal amount outstanding on the PPP loan by the maturity date. The SBA forgave \$0.3 million of the loan in November, and the remaining loan of \$0.4 million began amortization in December with equal monthly repayments through March 2022.

## Cash Flows

The following table summarizes our cash flows for each of the periods presented (in thousands):

|  | <b>Nine Months Ended September 30,</b> |                 |
|--|--|-----------------|
|  | <b>2021</b>                            | <b>2020</b>     |
| Net cash used in operating activities                      | (13,383)                               | (45,497)        |
| Net cash used in investing activities                      | (50,129)                               | (11)            |
| Net cash provided by financing activities                  | 84,756                                 | 49,348          |
| Effect of exchange rates on cash and cash equivalents      | (14)                                   | (35)            |
| Net increase in cash, cash equivalents and restricted cash | <u>\$ 21,230</u>                       | <u>\$ 3,805</u> |

### Operating Activities

During the nine months ended September 30, 2021, operating activities used \$13.4 million of cash, resulting from our net loss of \$87.4 million and net cash used by changes in our operating assets and liabilities of \$0.2 million, partially offset by net non-cash charges of \$74.2 million.

During the nine months ended September 30, 2020, operating activities used \$45.5 million of cash, resulting from our net loss of \$40.8 million and net cash used by changes in our operating assets and liabilities of \$20.3 million, partially offset by net non-cash charges of \$12.8 million and financing transaction costs reclassified to financing activities of \$2.8 million. Net cash used by changes in our operating assets and liabilities for the nine months ended September 30, 2020 consisted primarily of decreases in accounts payable and accrued expenses, primarily due to payments made for clinical trial expenses incurred in the fourth quarter of 2019 and lower clinical trial expenses for the nine months ended September 30, 2020.

### Investing Activities

During the nine months ended September 30, 2021, net cash used by investing activities of \$50.1 million was related to the purchase of short-term investments of \$60.1 million, partially offset by proceeds from the sale of short-term investments of \$10.0 million. During the nine months ended September 30, 2020, net cash used by investing activities of \$0.0 million was related to purchases of property and equipment.

### Financing Activities

During the nine months ended September 30, 2021, net cash provided by financing activities was \$84.8 million and consisted of net cash proceeds of \$42.1 million from the February Underwritten Offering, net cash proceeds of \$32.2 million from the February Registered Direct Offering and \$15.3 million from the exercise of warrants, partially offset by principal repayments of \$4.8 million made to SVB under the Loan and Security Agreement and the PPP loan. During the nine months ended September 30, 2020, net cash provided by financing activities was \$49.3 million and consisted of net cash proceeds of \$44.7 million from the Private Placement and the Rights Offering, net cash proceeds of \$8.6 million from the June 3 and June 30 Offerings and \$0.7 million from the drawdown of the PPP loan, partially offset by principal repayments of \$4.7 million made to SVB under the Loan and Security Agreement.

### Funding Requirements

We expect to continue to incur significant expenses and increasing operating losses as we conduct our ongoing and planned clinical trials of oral sulopenem and sulopenem and any additional clinical trials that may be conducted in response to the CRL, seek marketing approval for oral sulopenem if clinical trials are successful and pursue the development of our sulopenem program in additional indications, including through preclinical and clinical development. Our expenses will also increase substantially if and as we:

- conduct additional clinical trials for oral sulopenem and/or sulopenem, which include our ongoing Phase 1 clinical trial related to pediatric indications, and any additional clinical trials that may be conducted in response to the CRL;
- initiate other studies as part of our sulopenem program, some of which may be required for regulatory approval of our product candidates and/or may be conducted in response to the CRL;
- establish sales, marketing and distribution capabilities either directly or through a third-party, to commercialize oral sulopenem and/or sulopenem if we obtain marketing approval from the FDA;
- establish manufacturing and supply chain capacity sufficient to provide commercial quantities of oral sulopenem and/or sulopenem, if we obtain marketing approval and undertake commercialization activities;
- pursue the development of our sulopenem program in additional indications;
- maintain, expand, defend and protect our intellectual property portfolio;

- hire additional clinical, scientific and commercial personnel;
- add operational, financial and management information systems and personnel, including personnel to support our product development and planned future commercialization efforts; and
- acquire or in-license other product candidates or technologies.

Because of the numerous risks and uncertainties associated with research, development and commercialization of pharmaceutical product candidates, we are unable to estimate the exact amount of our working capital requirements. Our future funding requirements, both short-term and long-term, will depend on many factors, including:

- the timing and costs of our clinical trials of oral sulopenem and sulopenem, including our ongoing Phase 1 clinical trial related to pediatric indications and any other clinical trials or non-clinical studies which may be required for regulatory approval of our product candidates, including any additional clinical trials and potential non-clinical development that may be conducted in response to the CRL and to support a potential resubmission of the NDA for approval of oral sulopenem;
- any other activities that may be required in connection with the potential resubmission of the NDA for oral sulopenem for the treatment of uUTI in patients with a quinolone non-susceptible pathogen;
- the timing of regulatory filings including a potential resubmission of the NDA for oral sulopenem for the treatment of uUTI in patients with a quinolone non-susceptible pathogen;
- the timing and costs of our clinical trials of oral sulopenem and sulopenem, including our ongoing Phase 1 clinical trial related to pediatric indications and any other studies which may be required for regulatory approval of our product candidates;
- the timing of regulatory review and potential approval of any product candidates, including oral sulopenem for the treatment of uUTI in patients with a quinolone non-susceptible pathogen;
- the initiation, progress, timing, costs and results of preclinical studies and clinical trials of other potential product candidates and of our current product candidates in additional indications;
- the amount of funding that we receive under government awards that we may apply for in the future;
- the number and characteristics of product candidates that we pursue;
- the outcome, timing and costs of seeking regulatory approvals;
- the costs of commercialization activities for oral sulopenem and/or sulopenem and other product candidates if we receive marketing approval, including the costs and timing of establishing product sales, marketing, distribution and manufacturing capabilities;
- the receipt of marketing approval and revenue received from any potential commercial sales of oral sulopenem and/or sulopenem;
- the terms and timing of any future collaborations, licensing or other arrangements that we may establish;
- the amount and timing of any payments we may be required to make, or that we may receive, in connection with the licensing, filing, prosecution, defense and enforcement of any patents or other intellectual property rights, including milestone and royalty payments and patent prosecution fees that we are obligated to pay pursuant to an exclusive license agreement with Pfizer Inc. (Pfizer) (the Pfizer License) or other future license agreements;
- the amount and timing of any payments we may be required to make in connection with the RLNs;
- the costs of preparing, filing and prosecuting patent applications, maintaining and protecting our intellectual property rights and defending against any intellectual property related claims;
- the costs of operating as a public company;
- the extent to which we in-license or acquire other products and technologies;
- the impact of the COVID-19 pandemic on the economy and our business generally including the impact the pandemic may have on our ability to efficiently conduct any additional clinical trial(s) to support a potential resubmission of our NDA for oral sulopenem, timing of regulatory review, potential approval and commercialization of any future products, including sulopenem for the treatment of uUTI; and

- the outcome, impact, effects and results of our evaluation of corporate, strategic, financial and financing alternatives, including the terms, timing, structure, value, benefits and costs of any corporate, strategic, financial or financing alternative and our ability to complete one at all.

Until such time, if ever, that we can generate product revenue sufficient to achieve profitability, we expect to finance our cash needs through a combination of public or private equity offerings, debt financings, collaboration agreements, other third-party funding, strategic alliances, licensing arrangements, marketing and distribution arrangements or government funding. The disruption and volatility in the global and domestic capital markets resulting from the COVID-19 pandemic may increase the cost of capital and limit our ability to access capital. To the extent that we raise additional capital through the sale of equity or convertible debt securities, our shareholders' ownership interest will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our ordinary shareholders. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. Our secured credit facility with SVB, the RLNs, the Exchangeable Notes and the investor rights agreement we entered into in connection with the Private Placement each impose operating and other restrictions on us. Such restrictions affect, and in many cases limit or prohibit, our ability to dispose of certain assets, pay dividends, incur additional indebtedness, undergo a change of control and enter into certain collaborations, strategic alliances or other similar partnerships, among other things. The Underwriting Agreement and February SPA entered into in February 2021 also contain ongoing covenants for us, including a prohibition on us entering into variable rate transactions for a period of 12 months after the closing of the relevant transaction, subject to certain exceptions. If we raise additional funds through other third-party funding, collaboration agreements, strategic alliances, licensing arrangements or marketing and distribution arrangements, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market products or product candidates that we would otherwise prefer to develop and market ourselves. In addition, as described above, we are evaluating our corporate, strategic, financial and financing alternatives, with the goal of maximizing value for our stakeholders while prudently managing our remaining resources.

### Contractual Obligations and Commitments

The following table summarizes our contractual obligations as of September 30, 2021, and the effects that such obligations are expected to have on our liquidity and cash flows in future periods (in thousands):

|                                 | Total     | Less than<br>1 year | 1 to<br>3 years | 4 to<br>5 years | More than<br>5 years |
|---------------------------------|-----------|---------------------|-----------------|-----------------|----------------------|
| Operating lease commitments (1) | \$ 2,748  | \$ 856              | \$ 805          | \$ 637          | \$ 450               |
| Principal debt repayments (2)   | 15,961    | 3,250               | —               | 12,607          | 104                  |
| Total                           | \$ 18,709 | \$ 4,106            | \$ 805          | \$ 13,244       | \$ 554               |

(1) See Note 7 to the condensed consolidated financial statements for further details regarding leases.

(2) See Note 9 to the condensed consolidated financial statements for further details regarding debt. Principal payments relate to our SVB loan, our PPP loan, our Exchangeable Notes and our RLNs.

Under the Pfizer License, we have agreed to make certain regulatory and sales milestone payments. The Company is also obligated to pay royalties and make a potential one-time payment related to sublicensing income that exceeds a certain threshold. We have not included any contingent payment obligations, such as milestones, royalties, or one-time payments, in the table above as the amount, timing and likelihood of such payments are not known. We are obligated to pay Pfizer royalties ranging from a single-digit to mid-teens percentage based on marginal net sales of each licensed product.

Under the RLN Indenture, holders of RLNs will be entitled to payments based solely on a percentage of our net revenues from U.S. sales of specified sulopenem products (Specified Net Revenues). Payments will be due within 75 days of the end of each six-month payment measuring period (Payment Measuring Period), beginning with the Payment Measuring Period ending June 30, 2020 until (i) the "Maximum Return" (as described below) has been paid in respect of the RLNs, or (ii) the "End Date" occurs, which is December 31, 2045, or (iii) December 31, 2025, in the event that we have not yet received FDA approval with respect to one or more specified sulopenem products by such date. The aggregate amount of payments in respect of all RLNs during each Payment Measuring Period will be equal to the product of total Specified Net Revenues earned during such period and the applicable payment rate (the Payment Rate), determined based on which of the specified sulopenem products have received FDA approval. The Payment Rate will be based on the maximum aggregate principal amount of RLNs and will equal (i) up to 15% if we or one of our affiliates has received FDA approval for the use of specified sulopenem products for the treatment of uUTIs and (ii) up to 20% if we or one of our affiliates has received FDA approval for the use of specified sulopenem products for the treatment of cUTIs but has not received FDA approval for treatment of uUTIs. There was no payment due for the Payment Measuring Period ending June 30, 2020, December 31, 2020 and June 30, 2021. Prior to the End Date, we are obligated to make payments on the RLNs from Specified Net Revenues until each RLN has received payments equal to \$160.00 (or 4,000 times the principal amount of such RLN) (Maximum Return). Other than

the principal amount of \$104, we have not included any payment obligations on the RLNs in the table above as the amount, timing and likelihood of such payments are not known.

**Emerging Growth Company Status**

The Jumpstart Our Business Startups Act of 2012 permits an “emerging growth company” such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies until those standards would otherwise apply to private companies. We have irrevocably elected to “opt out” of this provision and, as a result, we will comply with new or revised accounting standards when they are required to be adopted by public companies that are not emerging growth companies.

**Off-Balance Sheet Arrangements**

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

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

As of September 30, 2021, we had cash, cash equivalents and short-term investments of \$85.7 million, consisting of cash, commercial paper and U.S. treasury bills. The primary objectives of our investment activities are to preserve principal, provide liquidity and maximize income without significantly increasing risk. Due to the short-term nature of our portfolio we do not believe an immediate interest rate increase of 100 basis points would have a material effect on the fair market value of our portfolio, and, accordingly, we do not expect our operating results or cash flows to be materially affected by a sudden change in market interest rates.

Based on the \$3.2 million outstanding under the credit facility as of September 30, 2021, a 100 basis point change in interest rates would not have a material impact on our net interest expense in fiscal year 2021. The interest rate on our secured credit facility is sensitive to changes in interest rates. Interest accrues on borrowings under the credit facility at a per annum rate equal to the greater of (i) 8.31%; or (ii) 3.89% above The Wall Street Journal prime rate. The Wall Street Journal prime rate decreased from 5.50% to 5.25% on August 1, 2019, to 5.00% on September 19, 2019, to 4.75% on October 31, 2019, to 4.25% on March 4, 2020 and to 3.25% on March 16, 2020. We do not currently engage in any hedging activities against changes in interest rates.

We contract with CROs and CMOs globally. We may be subject to fluctuations in foreign currency rates in connection with certain of these agreements. Transactions denominated in currencies other than the functional currency are recorded based on exchange rates at the time such transactions arise. As of September 30, 2021 and December 31, 2020, substantially all of our liabilities were denominated in U.S. dollars. Realized net foreign currency gains and losses did not have a material effect on our results of operations for the nine months ended September 30, 2021 and 2020 or for the year ended December 31, 2020.

**Item 4. Controls and Procedures.*****Evaluation of Disclosure Controls and Procedures***

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively), evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2021. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of September 30, 2021, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

***Changes in Internal Control over Financial Reporting***

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the three months ended September 30, 2021, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II—OTHER INFORMATION

### Item 1. Legal Proceedings

On August 5, 2021, a putative class action lawsuit was filed against the Company, its Chief Executive Officer and Chief Financial Officer in the United States District Court for the Northern District of Illinois, captioned *Klein v. Iterum Therapeutics PLC, et al.*, No. 1:21-cv-04181. The complaint purports to be brought on behalf of shareholders who purchased the Company's securities between November 30, 2020 and July 23, 2021. The complaint generally alleges that the defendants violated Sections 10(b) and/or 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by making purportedly material misstatements or omissions concerning the Company's submission of a new drug application to the U.S. Food and Drug Administration for marketing approval of sulopenem etzadroxil/probenecid (oral sulopenem) for the treatment of uncomplicated urinary tract infections in patients with a quinolone non-susceptible pathogen and the likelihood of such approval. The complaint seeks, among other things, unspecified damages, attorneys' fees, expert fees and other costs. The court appointed a lead plaintiff and approved plaintiff's selection of lead counsel on November 3, 2021.

The Company denies any and all allegations of wrongdoing and believes the defendants have valid defenses against these claims and, therefore, intends to vigorously defend against this lawsuit. The Company is unable, however, to predict the outcome of this matter at this time. Moreover, any conclusion of this matter in a manner adverse to the Company and for which it incurs substantial costs or damages not covered by the Company's directors' and officers' liability insurance would have a material adverse effect on its financial condition and business. In addition, the litigation could adversely impact the Company's reputation and divert management's attention and resources from other priorities, including the execution of its business plan and strategies that are important to the Company's ability to grow its business, any of which could have a material adverse effect on the Company's business.

### Item 1A. Risk Factors.

*Careful consideration should be given to the following risk factors, in addition to the other information set forth in this Quarterly Report on Form 10-Q and in other documents that we file with the Securities and Exchange Commission, or SEC, in evaluating our company and our business. Investing in our ordinary shares involves a high degree of risk. If any of the events described in the following Risk Factors and the risks described elsewhere in this Quarterly Report on Form 10-Q actually occur, our business, financial condition, results of operations and future growth prospects could be materially and adversely affected. In these circumstances, the market price of our ordinary shares could decline, and you may lose all or part of your investment.*

### Risks Related to Our Financial Position and Capital Requirements

***We have incurred net losses in each year since our inception and anticipate that we will continue to incur significant losses unless we successfully commercialize our sulopenem program.***

We are a clinical-stage pharmaceutical company with a limited operating history. We have not generated any product revenue and have incurred net losses in each year since our inception in 2015. As of September 30, 2021, we had an accumulated deficit of \$374.3 million, cash and cash equivalents of \$36.0 million and short-term investments of \$49.7 million. Our product candidates, oral sulopenem and sulopenem (together, the sulopenem program), are in clinical development, and have not been approved for sale and we may never have our product candidates approved for commercialization. We submitted a New Drug Application (NDA) for oral sulopenem for the treatment of uncomplicated urinary tract infections (uUTIs) in patients with a quinolone non-susceptible pathogen in the fourth quarter of 2020 and the U.S. Food and Drug Administration (FDA) accepted the application for review in January 2021. We received a Complete Response Letter (CRL) from the FDA on July 23, 2021 in respect of our NDA. The CRL provided that the FDA had completed its review of the NDA and had determined that it could not approve the NDA in its present form. The CRL further provided that additional data are necessary to support approval of oral sulopenem for the treatment of adult women with uUTIs caused by designated susceptible microorganisms proven or strongly suspected to be non-susceptible to a quinolone and recommended that we conduct at least one additional adequate and well-controlled clinical trial, potentially using a different comparator drug. Additionally, the FDA recommended that we conduct further non-clinical investigation to determine the optimal dosing regimen, although the FDA stated that this recommendation does not raise an approvability issue. We had a Type A meeting with the FDA in September 2021 to discuss the steps required for potential resubmission of the NDA for oral sulopenem. We have requested a Type B meeting with the FDA to discuss the design of a potential new clinical trial to support such potential resubmission.

We have financed our operations to date primarily with the issuance of ordinary shares and convertible preferred shares, pre-funded warrants and warrants, debt raised under a financing arrangement with Silicon Valley Bank (SVB), a sub-award from the Trustees of Boston University under the Combating Antibiotic Resistant Bacteria Biopharmaceutical Accelerator (CARB-X) program and the proceeds of a private placement which closed in January 2020 (the Private Placement) and a subsequent rights offering (the Rights Offering) pursuant to which our wholly owned subsidiary, Iterum Therapeutics Bermuda Limited (Iterum Bermuda), sold units (Units) consisting of (i) 6.500% Exchangeable Senior Subordinated Notes due 2025 (Exchangeable Notes); and (ii) Limited Recourse Royalty-Linked Subordinated Notes (RLNs and, together with the Exchangeable Notes, the Securities), to certain existing and new



investors. In April 2018, we entered into a secured credit facility with SVB and made an initial drawdown of \$15.0 million pursuant to a loan and security agreement (the Loan and Security Agreement). In April 2020, we entered into a note (PPP loan) with SVB of \$0.7 million under the Paycheck Protection Program. In early June 2020, we issued and sold, in a registered direct offering (June 3 Offering), ordinary shares for aggregate gross proceeds to us of \$5.0 million and net proceeds of \$4.3 million after deducting fees payable to the placement agent and other offering expenses payable by us. In late June 2020, we issued and sold, in a registered direct offering (June 30 Offering), ordinary shares for aggregate gross proceeds to us of \$5.0 million and net proceeds of \$4.2 million after deducting fees payable to the placement agent and other offering expenses payable by us. In October 2020, we issued and sold, in a registered public offering (October Offering), ordinary shares and pre-funded warrants exercisable for ordinary shares, each offered together with warrants exercisable for ordinary shares, for aggregate gross proceeds to us of \$17.4 million and net proceeds of \$15.5 million after deducting fees payable to the placement agent and other offering expenses payable by us. On February 8 and February 10, 2021, we issued and sold, pursuant to an underwritten agreement and including the underwriter's exercise in full of its option to purchase additional ordinary shares (February 2021 Underwritten Offering), ordinary shares for aggregate gross proceeds to us of \$46.0 million and net proceeds of \$42.1 million after deducting fees payable to the underwriter and other estimated offering expenses payable by us. On February 12, 2021, we issued and sold, in a registered public offering (February 2021 Registered Direct Offering), ordinary shares for aggregate gross proceeds to us of \$35.0 million and net proceeds of \$32.2 million after deducting fees payable to the placement agent and other estimated offering expenses payable by us. At September 30, 2021, net proceeds of \$16.2 million have been received from the exercise of certain warrants issued as part of the June 30 Offering and October Offering. We have devoted substantially all of our financial resources and efforts to research and development, including preclinical and clinical development, for our sulopenem program.

Following receipt of the CRL, in order to reduce operating expenses and conserve cash resources, we halted any remaining pre-commercial activities for oral sulopenem and plan to limit spending to essential costs required in connection with the potential resubmission of the NDA.

We expect to continue to incur significant expenses and increasing operating losses as we seek potential marketing approval for oral sulopenem, resume any pre-commercialization activities and pursue the development of our sulopenem program in additional indications through preclinical and clinical development. Our expenses will also increase substantially if and as we:

- conduct additional clinical trials for oral sulopenem and/or sulopenem, which include our ongoing Phase 1 clinical trial related to pediatric indications, and any additional clinical trials that may be conducted in response to the CRL;
- initiate other studies as part of our sulopenem program, some of which may be required for regulatory approval of our product candidates and/or may be conducted in response to the CRL;
- establish sales, marketing and distribution capabilities either directly or through a third-party, to commercialize oral sulopenem and/or sulopenem in the United States if we obtain marketing approval from the FDA;
- establish manufacturing and supply chain capacity sufficient to provide commercial quantities of oral sulopenem and/or sulopenem, if we obtain marketing approval and undertake commercialization activities;
- pursue the development of our sulopenem program in additional indications;
- maintain, expand, defend and protect our intellectual property portfolio;
- hire additional clinical, scientific and commercial personnel;
- add operational, financial and management information systems and personnel, including personnel to support our product development and planned future commercialization efforts; and
- acquire or in-license other product candidates or technologies.

***We will require additional capital to fund our operations. If we fail to obtain financing when needed or on acceptable terms, we could be forced to delay, reduce or eliminate our product development programs or commercialization efforts.***

Developing pharmaceutical products is a time-consuming, expensive and uncertain process that takes years to complete. We expect to continue to incur significant expenses and increasing operating losses as we conduct our ongoing and planned clinical trials of oral sulopenem and sulopenem, including any additional clinical trials and potential non-clinical development that may be conducted in response to the CRL, seek marketing approval for oral sulopenem if clinical trials are successful, resume pre-commercialization activities, and pursue the development of our sulopenem program in additional indications, including through preclinical and clinical development. If we obtain marketing approval for oral sulopenem, sulopenem or any future product candidate and undertake commercialization activities, we expect to incur significant commercialization expenses related to product sales, marketing, distribution and manufacturing. Some of these expenses may be incurred in advance of marketing approval, and could be substantial.

Based on our current operating plan, and subject to final determination of the design and planned conduct of potential additional clinical and non-clinical development for oral sulopenem, we estimate that our cash, cash equivalents and short-term investments as of September 30, 2021 should be sufficient to fund our operating expenses and capital expenditure requirements into 2024. However, we



have based this estimate on assumptions that may prove to be wrong, and our operating plans may change as a result of many factors and various risks and uncertainties.

We will be required to obtain further funding through public or private equity offerings, debt financings, collaborations and licensing arrangements or other sources. Adequate additional financing may not be available to us on acceptable terms, or at all. Although we have successfully raised capital in the past, there is no assurance that we will be successful in obtaining sufficient funding on terms acceptable to us to fund continuing operations, if at all. If we fail to obtain financing when needed or on acceptable terms, we could be forced to delay, reduce or eliminate our product development programs or commercialization efforts, which would have a negative effect on our financial condition and our ability to develop and commercialize our sulopenem program and otherwise pursue our business strategy.

Changing circumstances could cause us to consume capital significantly faster than we currently anticipate, and we may need to spend more than currently expected because of circumstances beyond our control. Our future funding requirements, both short-term and long-term, will depend on many factors, including:

- the timing and costs of our clinical trials of oral sulopenem and sulopenem, including our ongoing Phase 1 clinical trial related to pediatric indications and any other clinical trials or non-clinical studies which may be required for regulatory approval of our product candidates, including any additional clinical trials and potential non-clinical development that may be conducted in response to the CRL and to support a potential resubmission of the NDA for approval of oral sulopenem;
- any other activities that may be required in connection with the potential resubmission of the NDA for oral sulopenem for the treatment of uUTI in patients with a quinolone non-susceptible pathogen;
- the timing of regulatory filings including a potential resubmission of the NDA for oral sulopenem for the treatment of uUTI in patients with a quinolone non-susceptible pathogen;
- the timing of regulatory review and potential approval of any product candidates, including oral sulopenem for the treatment of uUTI in patients with a quinolone non-susceptible pathogen;
- the initiation, progress, timing, costs and results of preclinical studies and clinical trials of other potential product candidates and of our current product candidates in additional indications;
- the amount of funding that we receive under government awards that we may apply for in the future;
- the number and characteristics of product candidates that we pursue;
- the outcome, timing and costs of seeking regulatory approvals;
- the costs of commercialization activities for oral sulopenem and/or sulopenem and other product candidates if we receive marketing approval, including the costs and timing of establishing product sales, marketing, distribution and manufacturing capabilities;
- the receipt of marketing approval and revenue received from any potential commercial sales of oral sulopenem and/or sulopenem;
- the terms and timing of any future collaborations, licensing or other arrangements that we may establish;
- the amount and timing of any payments we may be required to make, or that we may receive, in connection with the licensing, filing, prosecution, defense and enforcement of any patents or other intellectual property rights, including milestone and royalty payments and patent prosecution fees that we are obligated to pay pursuant to an exclusive license agreement with Pfizer Inc. (Pfizer) (the Pfizer License) or other future license agreements;
- the amount and timing of any payments we may be required to make in connection with the RLNs;
- the costs of preparing, filing and prosecuting patent applications, maintaining and protecting our intellectual property rights and defending against any intellectual property related claims;
- the costs of operating as a public company;
- the extent to which we in-license or acquire other products and technologies;
- the impact of the COVID-19 pandemic on the economy and our business generally including the impact the pandemic may have on our ability to efficiently conduct any additional clinical trial(s) to support a potential resubmission of our NDA for oral sulopenem, timing of regulatory review, potential approval and commercialization of any future products, including sulopenem for the treatment of uUTI; and

- the outcome, impact, effects and results of our evaluation of corporate, strategic, financial and financing alternatives, including the terms, timing, structure, value, benefits and costs of any corporate, strategic, financial or financing alternative and our ability to complete one at all.

***Our financial statements include substantial non-operating gains or losses resulting from required quarterly revaluation under generally accepted accounting principles of our outstanding derivative instruments.***

Generally accepted accounting principles in the United States require that we report the value of certain derivatives in instruments we have issued as liabilities on our balance sheet and report changes in the value of these derivatives as non-operating gains or losses on our statement of operations. The value of the derivatives is required to be recalculated (and resulting non-operating gains or losses reflected in our statement of operations and resulting adjustments to the associated liability amounts reflected on our balance sheet) on a quarterly basis. The valuations are based upon a number of factors and estimates, including estimates based upon management's judgment. Certain of the derivative values are directly correlated to the value of our ordinary shares. Due to the nature of the required calculations and the large number of ordinary shares involved in such calculations, changes in our share price and/or changes in management's assumptions may result in significant changes in the value of the derivatives and resulting gains and losses on our statement of operations.

***In light of the FDA's CRL regarding our NDA for oral sulopenem, we halted any remaining precommercial activities while we work toward our goal of approval of oral sulopenem. Neither resubmission nor approval of our NDA for oral sulopenem is assured.***

In July 2021, we received a CRL from the FDA regarding our NDA for oral sulopenem for the treatment of uUTIs in patients with a quinolone non-susceptible pathogen. In light of the CRL and in order to reduce operating expenses and conserve cash resources, we have halted all remaining pre-commercial activities for oral sulopenem.

In the CRL, the FDA determined that additional data are necessary to support approval for the treatment of adult women with uUTIs caused by designated susceptible microorganisms proven or strongly suspected to be non-susceptible to a quinolone. The FDA recommended that we conduct at least one additional adequate and well-controlled clinical trial, potentially using a different comparator drug. Additionally, the FDA recommended that we conduct further non-clinical investigation to determine the optimal dosing regimen, although the FDA stated that this recommendation does not raise an approvability issue. We had a Type A meeting with the FDA in September 2021 to discuss the steps required for potential resubmission of the NDA for oral sulopenem. We have requested a Type B meeting with the FDA to discuss the design of a potential new clinical trial to support such potential resubmission. There can be no assurance that we will be in a position to resolve the matters set forth in the CRL, that we will be able to design, initiate and complete the future clinical trial and potential non-clinical studies intended to support a resubmission of our NDA or that any data generated by future clinical and potential non-clinical investigation will be adequate to support resubmission or approval of our NDA.

***We and our Chief Executive Officer and Chief Financial Officer have been named as defendants in a lawsuit that could result in substantial costs and divert management's attention.***

On August 5, 2021, a putative class action lawsuit was filed against us, our Chief Executive Officer and our Chief Financial Officer. The complaint generally alleges that the defendants violated Sections 10(b) and/or 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by making purportedly material misstatements or omissions concerning our NDA to the FDA for marketing approval of oral sulopenem for the treatment of uUTIs in patients with a quinolone non-susceptible pathogen and the likelihood of such approval. The complaint seeks, among other things, unspecified damages, attorneys' fees, expert fees and other costs.

The defendants deny any and all allegations of wrongdoing and believe they have valid defenses against these claims and, therefore, intend to vigorously defend against this lawsuit. We are unable, however, to predict the outcome of this matter at this time. Moreover, any conclusion of this matter in a manner adverse to us and for which we incur substantial costs or damages not covered by our directors' and officers' liability insurance would have a material adverse effect on our financial condition and business. In addition, the litigation could adversely impact our reputation and divert management and our board of directors' attention and resources from other priorities, including the execution of our business plan and strategies that are important to our ability to grow our business, any of which could have a material adverse effect on our business. Additional lawsuits may be filed.

***Provisions in the EN Indenture, RLN Indenture and our other financing documents may deter or prevent us from raising additional capital to fund our operations.***

Provisions in the agreements we entered into in connection with our financings may deter or prevent us from raising additional capital to fund our operations as and when needed. For example, the indenture governing the Exchangeable Notes (the EN Indenture) contains negative covenants prohibiting Iterum Bermuda, as well as us and our wholly owned subsidiaries and their subsidiaries (the Guarantors), who guaranteed Iterum Bermuda's obligations under the Exchangeable Notes, from, among other things, incurring any indebtedness that is not permitted by the EN Indenture and entering into transactions with significant shareholders (as defined in the



EN Indenture). In addition, the indenture governing the RLNs (the RLN Indenture) contains negative covenants prohibiting Iterum Bermuda and the Guarantors from, among other things, selling, transferring or assigning certain assets and taking other actions outside the ordinary course of business that would reasonably be expected to reduce the amount of payments under the RLNs.

In connection with the February 2021 Underwritten Offering, we entered into an Underwriting Agreement (the Underwriting Agreement) on February 3, 2021 with the underwriter. The Underwriting Agreement contains certain covenants, including a covenant prohibiting us from entering into variable rate transactions for a period of 12 months after the closing of the February 2021 Underwritten Offering, subject to certain exceptions. In addition, in connection with the February 2021 Registered Direct Offering, we entered into a securities purchase agreement which contains certain covenants, including prohibiting us from entering into variable rate transactions for a period of 12 months after the closing of the offering, subject to certain exceptions. These and other provisions in the financing documents could deter or prevent us from raising additional capital. Our failure to raise capital as and when needed would have a negative effect on our financial condition and our ability to develop and commercialize our sulopenem program and otherwise pursue our business strategy.

***We are heavily dependent on the success of our sulopenem program, and our ability to develop, obtain marketing approval for and successfully commercialize oral sulopenem and sulopenem. If we are unable to achieve and sustain profitability, the market value of our ordinary shares will likely decline.***

Our ability to become and remain profitable depends on our ability to generate revenue. To date, we have invested substantially all of our efforts and financial resources in the development of oral sulopenem and sulopenem, which are currently our two product candidates in development. Our prospects, including our ability to finance our operations and generate revenue from product sales, currently depend entirely on the development and commercialization of our sulopenem program.

We do not expect to generate significant revenue unless and until we obtain marketing approval for, and commercialize, oral sulopenem and/or sulopenem. Our ability to generate future revenue from product sales will require us to be successful in a range of challenging clinical and commercial activities, including:

- resolving the matters set out in the CRL received in July 2021 in connection with our NDA for oral sulopenem;
- enrolling and successfully completing our ongoing Phase 1 clinical trial related to pediatric indications and any other clinical trials that may be required for regulatory approval of our product candidates, including any trials conducted in response to the CRL;
- applying for and obtaining marketing approval for oral sulopenem and/or sulopenem;
- protecting and maintaining our rights to our intellectual property portfolio related to our sulopenem program;
- establishing and maintaining supply and manufacturing relationships with third parties that can support clinical development and can provide adequate commercial quantities of oral sulopenem and/or sulopenem, if approved;
- establishing sales, marketing and distribution capabilities either directly or through a third-party, to commercialize oral sulopenem and/or sulopenem or entering into collaboration arrangements for the commercialization of oral sulopenem and/or sulopenem where we choose not to commercialize directly ourselves; and
- obtaining market acceptance of oral sulopenem and/or sulopenem as viable treatment options.

Because of the numerous risks and uncertainties associated with developing pharmaceutical products, we are unable to predict the extent of any future losses or when, or if, we will become profitable. We may never succeed in any or all of these activities and, even if we do, we may never generate revenue that is significant or large enough to achieve profitability. Our expenses could increase if we are required by the FDA, the European Medicines Agency (EMA), or any comparable foreign regulatory authority, to perform different studies or studies in addition to those currently expected, including in response to the CRL received in July 2021, or if there are any delays in completing such studies or with the development of our sulopenem program or any future product candidates. Even if oral sulopenem or sulopenem are approved for commercial sale, we anticipate incurring significant costs associated with the commercial launch of oral sulopenem and/or sulopenem. Where we enter into collaboration arrangements with third-party collaborators for commercialization of product candidates, our product revenues or the profitability of these product revenues to us would likely be lower than if we were to directly market and sell products in those markets.

Our failure to become and remain profitable would decrease the value of our company and could impair our ability to raise capital, maintain our research and development efforts, expand our business or continue our operations. A decline in the value of our company could cause our shareholders to lose all or part of their investment.

***Our indebtedness imposes certain operating and other restrictions on us and could adversely affect our ability to raise additional capital.***

On April 27, 2018, our subsidiaries, Iterum Therapeutics International Limited, Iterum Therapeutics US Holding Limited and Iterum Therapeutics US Limited (Borrowers), entered into a secured credit facility with SVB pursuant to which SVB agreed to lend the Borrowers up to \$30.0 million in two term loans. \$15.0 million of the secured credit facility was funded on closing and the other \$15.0 million was available at our option upon the satisfaction of certain draw requirements. However, we did not satisfy the second draw conditions before the deadline of October 31, 2019. Obligations under the secured credit facility are secured by substantially all of our existing and future assets and the existing and future assets of our subsidiaries, including intellectual property. Our secured credit facility imposes operating and other restrictions on us. Such restrictions affect, and in many respects limit or prohibit, our ability to, among other things, dispose of certain assets, pay dividends and incur additional indebtedness. Failure to make payments or comply with these and other terms and covenants under our secured credit facility could result in an event of default, which could lead to an acceleration of amounts due and foreclosure upon and/or sale or other liquidation of all of our and our subsidiaries' assets, including intellectual property. Any of the foregoing would have a material adverse effect on our operations and financial condition. In addition, this indebtedness and the security interests granted to secure it could make it more difficult for us to raise additional capital to fund our operations.

In connection with the Private Placement, Iterum Bermuda was joined as a party to the Loan and Security Agreement as a borrower and the Loan and Security Agreement was amended on January 16, 2020 to, among other things, modify the definition of subordinated debt to include the RLNs and Exchangeable Notes.

In addition, the EN Indenture and the RLN Indenture each contain affirmative and negative covenants which impose operating and other restrictions on us, including, among other things, incurring any indebtedness that is not permitted by the EN Indenture or amending the terms of any subordinated indebtedness, entering into strategic transactions or transferring any material assets and undergoing a change of control transaction (subject to certain exceptions, including in the case of a change of control transaction, a transaction in which each holder of an outstanding Exchangeable Note receives cash consideration of at least 300% of the outstanding principal amount of such Exchangeable Notes). For example, pursuant to the EN Indenture, we are required to obtain the consent of a portion of the holders of the Exchangeable Notes prior to entering into collaboration agreements, exclusive selling arrangements or similar partnerships including a definitive agreement for commercialization services in the United States. Failure to comply with these terms could result in an event of default which could lead, among other things, to an acceleration of amounts due under the EN Indenture and the obligation to pay default interest. Moreover, obtaining a consent to a waiver of these terms is subject to a veto right of the holders of 30% of the outstanding Exchangeable Notes, in the case of the EN Indenture, and 30% of the outstanding RLNs, in the case of the RLN Indenture, and must include Sarissa Capital Offshore Master Fund LP, Sarissa Capital Catapult Fund LLC and Sarissa Capital Hawkeye Fund LP (collectively with their affiliates, Sarissa) so long as Sarissa and its affiliates own at least 10% of the outstanding RLNs. This veto right could make it more difficult for us to obtain a waiver than would otherwise be the case. In addition, the rate at which the Exchangeable Notes are exchangeable for our ordinary shares is subject to adjustment, including pursuant to anti-dilution protections. For example, following the October Offering, the exchange rate of the Exchangeable Notes increased and the exchange price of the Exchangeable Notes adjusted from the previous exchange price of \$1.00 per ordinary share (at the exchange rate of 1,000 shares per \$1,000 of principal and interest on the Exchangeable Notes) to \$0.7775 per ordinary share (at an adjusted exchange rate of 1,286.1845 shares per \$1,000 of principal and interest on the Exchangeable Notes). As of September 30, 2021, approximately \$12.6 million aggregate principal amount of Exchangeable Notes remained outstanding. In addition, the exercise price and the number of shares issuable under our outstanding warrants are subject to adjustment pursuant to the terms of the applicable warrant. This indebtedness could make it more difficult for us to raise additional capital to fund our operations.

***Servicing our indebtedness will require a significant amount of cash, and we may not have sufficient cash flow from our business to pay our indebtedness.***

Our ability to make payments of the principal of, to pay interest and special interest on or to refinance our secured credit facility and the Exchangeable Notes, or to make cash payments, if we so elect, in connection with any exchange of Exchangeable Notes depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not generate cash flow sufficient to service our term loan, the Exchangeable Notes or other indebtedness and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring indebtedness or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our term loan, the Exchangeable Notes or other indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

***Despite our current debt levels, we may still incur substantially more debt or take other actions that would intensify the risks discussed above.***

Despite our current consolidated debt levels, we and our subsidiaries may be able to incur substantial additional debt in the future, subject to the restrictions contained in our current and future debt instruments, some of which may be secured debt. While the Loan and Security Agreement and the EN Indenture restrict our ability to incur additional indebtedness, including secured



indebtedness, both allow for certain additional indebtedness and any such restrictions may be waived. In addition, if the Loan and Security Agreement matures or is repaid, we may not be subject to similar restrictions under the terms of any subsequent indebtedness. If new debt is added to our current debt levels, the related risks that we now face could intensify.

***We may not have the ability to raise the funds necessary to settle exchanges of the Exchangeable Notes in cash or to repurchase the Exchangeable Notes upon a fundamental change, and the Loan and Security Agreement and our future debt may limit our ability to pay cash upon exchange or repurchase of the Exchangeable Notes.***

Holders of the Exchangeable Notes will have the right to require us to repurchase all or a portion of their Exchangeable Notes upon the occurrence of a fundamental change at specified repurchase prices. In addition, upon exchange of the Exchangeable Notes, unless we elect to deliver solely ordinary shares to settle such exchange (other than paying cash in lieu of delivering any fractional share), we would be required to make specified cash payments in respect of the Exchangeable Notes being exchanged. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of Exchangeable Notes surrendered therefor or to pay cash with respect to Exchangeable Notes being exchanged. In addition, our ability to repurchase or to pay cash upon exchange of the Exchangeable Notes may be limited by law, regulatory authority, the Loan and Security Agreement and future indebtedness.

Our failure to repurchase Exchangeable Notes at a time when the repurchase is required by the EN Indenture or to pay cash upon exchange of the Exchangeable Notes as required by the EN Indenture would constitute a default under the EN Indenture. A default under the EN Indenture or a fundamental change itself could also lead to a default under the Loan and Security Agreement and other agreements governing our future indebtedness. If the payment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and any accrued and unpaid interest and repurchase the Exchangeable Notes or to pay cash upon exchange of the Exchangeable Notes. As of September 30, 2021, approximately \$12.6 million aggregate principal amount of Exchangeable Notes remained outstanding.

***The exchange feature of the Exchangeable Notes may adversely affect our financial condition and operating results.***

Beginning January 21, 2021 and prior to the earlier of (i) the close of business on the scheduled trading day immediately preceding a mandatory exchange notice for the Exchangeable Notes, which would be triggered by the occurrence of any of certain mandatory trigger events specified in the EN Indenture, and (ii) the close of business on the second scheduled trading day immediately preceding the interest record date, holders of Exchangeable Notes are entitled to exchange the Exchangeable Notes at any time at their option. If holders continue to elect to exchange their Exchangeable Notes, unless we elect to satisfy our exchange obligation by delivering solely ordinary shares (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our exchange obligation in cash, which could adversely affect our liquidity. The relevant accounting rules require that we recognize liabilities which appropriately reflect our obligations specified in the EN Indenture. Therefore, even if holders do not elect to exchange their Exchangeable Notes, our liabilities and statement of operations could be significantly impacted.

***We have a limited operating history and no history of commercializing pharmaceutical products, which may make it difficult to evaluate the prospects for our future viability.***

We began operations in November 2015. Since our inception, we have devoted substantially all of our financial resources and efforts to organizing and staffing our company, business planning, raising capital, planning for potential commercialization, and research and development, including preclinical and clinical development, for our sulopenem program. While the members of our development team have successfully developed and registered other antibiotics in past roles at different companies, our company has limited experience and has not yet demonstrated an ability to successfully obtain marketing approval, manufacture a commercial scale product (or arrange for a third party to do so on our behalf), or conduct sales and marketing activities necessary for successful product commercialization. Consequently, predictions about our future success or viability may not be as accurate as they could be if we had a longer operating history or a history of successfully developing and commercializing pharmaceutical products. Assuming we obtain marketing approval for oral sulopenem or sulopenem, we will need to transition from a company with a research and development focus to a company capable of supporting commercial activities whether we choose to commercialize product candidates directly ourselves or seek to commercialize them through third-party collaboration arrangements. We may encounter unforeseen expenses, difficulties, complications and delays, and may not be successful in such a transition. While we previously engaged a partner to carry out pre-commercialization services in the United States and commenced negotiations on a definitive agreement for commercialization services, any remaining pre-commercialization activities have been put on hold pending resolution of issues identified in the CRL received from the FDA in July 2021 and negotiations on a definitive agreement for commercialization services have been paused. There is no assurance that we will be able to reach a definitive agreement for commercialization services on favorable terms or at all in the future.

***Raising additional capital may cause dilution to our shareholders, restrict our operations or require us to relinquish rights to our technologies or product candidates.***

Unless and until we can generate a substantial amount of revenue from our sulopenem program or future product candidates, we expect to finance our future cash needs through equity offerings, debt financings, collaboration agreements, other third-party funding, strategic alliances, licensing arrangements, marketing and distribution arrangements or government funding.

We may seek additional capital due to favorable market conditions or strategic considerations, even if we believe that we have sufficient funds for our current or future operating plans.

We have filed a universal shelf registration statement on Form S-3 with the SEC, which was declared effective on July 16, 2019 (File No. 333-232569), and pursuant to which we registered for sale up to \$150.0 million of any combination of our ordinary shares, preferred shares, debt securities, warrants and/or units from time to time and at prices and on terms that we may determine. The extent to which we are able to utilize the shelf registration statement as a source of funding will depend on a number of factors, including the prevailing market price of our ordinary shares, general market conditions and applicability of restrictions on our ability to utilize the shelf registration statement to sell more than one-third of the market value of our public float, meaning the aggregate market value of voting and non-voting ordinary shares held by non-affiliates, in any trailing 12-month period. As of September 30, 2021, we had issued \$98.1 million of securities registered under our universal shelf registration statement.

Our issuance of additional securities, whether equity or debt, or the possibility of such issuance, may cause the market price of our ordinary shares to decline, and our shareholders may not agree with our financing plans or the terms of such financings. To the extent that we raise additional capital through the sale of ordinary shares, convertible securities or other equity securities, the ownership interests of our then existing shareholders may be materially diluted, and the terms of these securities could include liquidation or other preferences and antidilution protections that could adversely affect the rights of our then existing shareholders. Further debt financing, if available, would result in increased fixed payment obligations and may involve agreements that include restrictive covenants that limit our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends, which could adversely affect our ability to conduct our business. In addition, securing additional financing would require a substantial amount of time and attention from our management and may divert a disproportionate amount of their attention away from day-to-day activities, which may adversely affect our management's ability to oversee the development of our product candidates.

If we raise additional funds through collaborations, strategic alliances or marketing, distribution or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams or product candidates or grant licenses on terms that may not be favorable to us.

***We may expend our limited resources to pursue a particular product candidate or indication and fail to capitalize on product candidates or indications that may be more profitable or for which there is a greater likelihood of success.***

Because we have limited financial resources, we initially focused our sulopenem development program on the specific indications of uUTI, complicated urinary tract infections (cUTI) and complicated intra-abdominal infections (cIAI), all of which are focused on what we believe to be the most pressing near-term medical needs, in terms of both their potential for marketing approval and commercialization. As a result, we may forego or delay pursuit of opportunities with other potential product candidates or developing our sulopenem program in other indications that may prove to have greater commercial potential. For example, while we believe that sulopenem has the potential to treat cIAIs and cUTIs in humans based on the results of prior preclinical studies and clinical trials, sulopenem did not meet the primary endpoint of statistical non-inferiority compared to the control therapy in our Phase 3 cIAI and cUTI clinical trials. While we believe the secondary supporting analyses and safety data in all three Phase 3 clinical trials support the potential of sulopenem in the treatment of multi-drug resistant infections, we cannot guarantee that these supporting analyses are indicative of efficacy of sulopenem in treating cIAIs or cUTIs. Similarly, while we believe that sulopenem has the potential to treat uUTIs in humans based on the results of prior pre-clinical studies and clinical trials, oral sulopenem did not meet the primary endpoint of statistical non-inferiority compared to ciprofloxacin in the population of patients with baseline pathogens susceptible to ciprofloxacin in our Phase 3 uUTI clinical trial. However, in the uUTI clinical trial, in the population of patients with baseline pathogens resistant to quinolones, sulopenem achieved the related primary endpoint by demonstrating statistical significance in the overall response rate by treatment arm in the ciprofloxacin-resistant population, providing evidence of a treatment effect in patients with uUTI. Based on discussions with the FDA at a pre-NDA meeting in September 2020 and previous correspondence with the FDA, we submitted an NDA for oral sulopenem for the treatment of uUTIs in patients with a quinolone non-susceptible pathogen in the fourth quarter of 2020 and the FDA accepted the application for review in January 2021. We received a CRL from the FDA on July 23, 2021 for our NDA. The CRL provided that the FDA had completed its review of the NDA and had determined that it could not approve the NDA in its present form. The CRL further provided that additional data are necessary to support approval of oral sulopenem for the treatment of adult women with uUTIs caused by designated susceptible microorganisms proven or strongly suspected to be non-susceptible to a quinolone and recommended that we conduct at least one additional adequate and well-controlled clinical trial, potentially using a different comparator drug. Additionally, the FDA recommended that we conduct further non-clinical investigation to determine the optimal dosing regimen, although the FDA stated that this recommendation does not raise an approvability issue. We had a Type A meeting with the FDA in September 2021 to discuss the steps required for potential resubmission of the NDA for oral sulopenem. We have requested a Type B meeting with the FDA to discuss the design of a potential



new clinical trial to support such potential resubmission. There can be no assurance that we will be in a position to resolve the matters set forth in the CRL, that we will be able to design, initiate and complete the future clinical trial and potential non-clinical studies intended to support a resubmission of our NDA or that any data generated by future clinical and potential non-clinical investigation will be adequate to support resubmission or approval of our NDA.

Further, due to a variety of factors, including those described in this “Risk Factors” section, we may nonetheless be delayed in obtaining or ultimately be unable to obtain FDA approval for sulopenem for this or any other indication or for any other product or to successfully commercialize sulopenem.

Our resource allocation decisions may cause us to fail to capitalize on viable commercial products or profitable market opportunities. Our spending on current and future research and development programs and product candidates for specific indications may not yield any commercially viable product candidates. If we do not accurately evaluate the commercial potential or target market for a particular product candidate, we may relinquish valuable rights to that product candidate through collaboration, licensing or other royalty arrangements in cases in which it would have been more advantageous for us to retain sole development and commercialization rights to the product candidate.

***We have broad discretion in the use of our funds and may not use them effectively.***

We have broad discretion in the application of our available funds and could spend the funds in ways that do not improve our results of operations or enhance the value of our ordinary shares. Our failure to apply these funds effectively could result in financial losses that could have a material adverse effect on our business, cause the price of our ordinary shares to decline and delay the development of our product candidates. Pending their use, we may invest funds in a manner that does not produce income or that loses value.

**Risks Related to Clinical Development and Commercialization**

***We are heavily dependent on the success of our sulopenem program, and our ability to develop, obtain marketing approval for and successfully commercialize oral sulopenem and/or sulopenem. If we are unable to obtain marketing approvals for oral sulopenem or sulopenem, or if thereafter we fail to commercialize oral sulopenem or sulopenem or experience significant delays in doing so, our business will be materially harmed.***

We currently have no products approved for sale and have invested substantially all of our efforts and financial resources in the development of our sulopenem program. Our near-term prospects are substantially dependent on our ability to develop, apply for and obtain marketing approval for and successfully commercialize oral sulopenem and/or sulopenem. The success of our sulopenem program will depend on several factors, including the following:

- resolving the issues set out in the CRL received in July 2021 in connection with our NDA for oral sulopenem;
- successful enrollment in, and completion of, clinical trials, including our ongoing Phase 1 clinical trial related to pediatric indications and any other clinical trials that may be required for regulatory approval of our product candidates, including any trials conducted in response to the CRL;
- clinical trial results with safety, tolerability and efficacy profiles that are satisfactory to the FDA or any comparable foreign regulatory authority;
- timely completion of any additional clinical trials and non-clinical studies conducted to support the filing for regulatory approvals of our sulopenem program, if required by the FDA or any comparable foreign regulatory authority, including any clinical trials and potential non-clinical studies conducted in response to the CRL;
- receipt of marketing approvals from applicable regulatory authorities;
- establishment and maintenance of arrangements with third-party manufacturers to obtain commercial supply at a scale sufficient to meet anticipated demand and at a cost appropriate for our commercialization;
- acquisition and maintenance of patent, trade secret and other intellectual property protection and regulatory exclusivity, both in the United States and internationally, including our ability to maintain the Pfizer License;
- protection of our rights in our intellectual property portfolio;
- launch of commercial sales of oral sulopenem and/or sulopenem, if approved, whether alone or in collaboration with others;
- the effectiveness of our own or any future collaborators’ marketing, sales and distribution strategy and operations;
- acceptance of oral sulopenem and/or sulopenem, if approved, by patients, physicians and the medical community at large;
- our ability to obtain and sustain coverage and an adequate level of reimbursement by third-party payors;

- the prevalence, frequency and severity of adverse side effects of oral sulopenem and/or sulopenem;
- the availability, perceived advantages, relative cost and relative efficacy of alternative and competing therapies; and
- an acceptable safety profile of oral sulopenem and/or sulopenem following approval.

Many of these factors are beyond our control, including clinical development, the regulatory submission process, potential threats to our intellectual property rights, manufacturing and the impact of competition.

Based on discussions with the FDA at a pre-NDA meeting in September 2020 and previous correspondence with the FDA, we submitted an NDA for oral sulopenem for the treatment of uUTIs in patients with a quinolone non-susceptible pathogen in the fourth quarter of 2020 and the FDA accepted the application for review in January 2021. We received a CRL from the FDA on July 23, 2021 in respect of our NDA. The CRL provided that additional data are necessary to support approval of oral sulopenem for the treatment of adult women with uUTIs caused by designated susceptible microorganisms proven or strongly suspected to be non-susceptible to a quinolone and recommended that we conduct at least one additional adequate and well-controlled clinical trial, potentially using a different comparator drug. Additionally, the FDA recommended that we conduct further non-clinical investigation to determine the optimal dosing regimen, although the FDA stated that this recommendation does not raise an approvability issue. We had a Type A meeting with the FDA in September 2021 to discuss the steps required for potential resubmission of the NDA for oral sulopenem. We have requested a Type B meeting with the FDA to discuss the design of a potential new clinical trial to support such potential resubmission. There can be no assurance that we will be in a position to resolve the matters set forth in the CRL in the timeframe required or at all, that we will be able to design, initiate and complete the future clinical and potential non-clinical studies intended to support a resubmission of our NDA, or that any data generated by future clinical and potential non-clinical investigation will be adequate to support resubmission or approval of our NDA. As we work with the FDA to resolve the issues set out in the CRL, we will be delayed in obtaining, and may ultimately be unable to obtain, FDA approval for sulopenem for this or any other indication or for any other product or to successfully commercialize sulopenem.

If we are unable to develop, receive marketing approval for, or successfully commercialize oral sulopenem and/or sulopenem, or if we experience delays as a result of any of these factors or otherwise, our business could be materially harmed.

***Our company has no experience in obtaining regulatory approval for a drug.***

Our company has never obtained regulatory approval for, or commercialized, a drug. We must complete extensive preclinical and clinical trials to demonstrate the safety and efficacy of our product candidates in humans before we will be able to obtain these approvals. To gain approval to market a product candidate, we must provide the FDA and foreign regulatory authorities with non-clinical, clinical and chemistry, manufacturing, and controls (CMC) data that adequately demonstrates the safety and efficacy of the product for the intended indication(s) applied for in the NDA(s) or other respective regulatory filing.

We may never succeed in achieving regulatory approval for any of our product candidates. For example, in the results of our cIAI clinical trial, sulopenem did not meet the primary endpoint of statistical non-inferiority compared to the control therapy for the cIAI trial. In the second quarter of 2020, we announced the results of our Phase 3 clinical trials of sulopenem for the treatment of cUTI and uUTI. In the cUTI trial, sulopenem did not meet the primary endpoint of statistical non-inferiority compared to the control therapies with the difference in response rates driven almost entirely by higher rates of asymptomatic bacteriuria on the sulopenem IV to oral sulopenem arm relative to the ertapenem IV to oral ciprofloxacin arm, only evident at the test of cure visit; the rates of patients receiving additional antibiotics or with residual cUTI symptoms were similar between therapies. Similarly, in the uUTI trial, sulopenem did not meet the primary endpoint of statistical non-inferiority compared to ciprofloxacin in the population of patients with baseline pathogens susceptible to ciprofloxacin driven to a large degree by a greater amount of asymptomatic bacteriuria in the sulopenem treated patients at the test of cure visit relative to those receiving ciprofloxacin. However, in the uUTI trial, in the population of patients with baseline pathogens resistant to quinolones, sulopenem achieved the related primary endpoint by demonstrating statistical significance in the overall response rate by treatment arm in the ciprofloxacin-resistant population, providing evidence of a treatment effect in patients with uUTI. Notwithstanding failure to meet the endpoints described above, in all three Phase 3 clinical trials, at all timepoints measured, the clinical response to sulopenem and/or oral sulopenem was similar to the comparator regimen (non-inferior), except in the instance of the quinolone non-susceptible population in the Phase 3 uUTI trial in which oral sulopenem was statistically superior. Based on discussions with the FDA at a pre-NDA meeting in September 2020 and previous correspondence with the FDA, we submitted an NDA for oral sulopenem for the treatment of uUTIs in patients with a quinolone non-susceptible pathogen in the fourth quarter of 2020 and the FDA accepted the application for review in January 2021. We received a CRL from the FDA on July 23, 2021 for our NDA. The CRL provided that additional data are necessary to support approval of oral sulopenem for the treatment of adult women with uUTIs caused by designated susceptible microorganisms proven or strongly suspected to be non-susceptible to a quinolone and recommended that we conduct at least one additional adequate and well-controlled clinical trial, potentially using a different comparator drug. Additionally, the FDA recommended that we conduct further non-clinical investigation to determine the optimal dosing regimen, although the FDA stated that this recommendation does not raise an approvability issue. We had a Type A meeting with the FDA in September 2021 to discuss the steps required for potential resubmission of the NDA for oral sulopenem. We have requested a Type B meeting with the FDA to discuss the design of a potential



new clinical trial to support such potential resubmission. Depending on the extent of these or any other FDA-required studies, approval of any NDA(s) or other application that we submit may be significantly delayed, possibly for several years, or may require us to expend more resources than we have available. There can be no assurance that we will be in a position to resolve the matters set forth in the CRL, that we will be able to design, initiate and complete the future clinical trial and potential non-clinical studies intended to support a resubmission of our NDA or that any data generated by future clinical and potential non-clinical investigation will be adequate to support resubmission or approval of our NDA.

We may elect to discontinue, delay or modify clinical trials of some product candidates or focus on others. Any changes in the outcome of any of these variables with respect to the development of our product candidates in clinical development could mean a significant change in the costs and timing associated with the development of these product candidates.

Additionally, any failure or delay in obtaining regulatory approvals would prevent us from commercializing oral sulopenem and/or sulopenem, generating revenues and achieving and sustaining profitability. It is also possible that additional studies, if performed and completed, may not be considered sufficient by the FDA to approve any NDA(s) or other application that we submit. If any of these outcomes occur, we may be forced to abandon the development of our product candidates, which would materially adversely affect our business and could potentially cause us to cease operations. We face similar risks for our applications in other countries.

***If clinical trials of oral sulopenem, sulopenem or any other product candidate that we may advance to clinical trials fail to demonstrate safety and efficacy to the satisfaction of the FDA or comparable foreign regulatory authorities, or do not otherwise produce favorable results, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of oral sulopenem, sulopenem or any other product candidate.***

We may not commercialize, market, promote, or sell any product candidate in the United States without obtaining marketing approval from the FDA or in other countries without obtaining approvals from comparable foreign regulatory authorities, such as the EMA, and we may never receive such approvals. Clinical testing is expensive, difficult to design and implement, can take many years to complete and is inherently uncertain as to outcome. While we submitted an NDA for oral sulopenem for the treatment of uUTIs in patients with a quinolone non-susceptible pathogen in the fourth quarter of 2020, for which we received a CRL from the FDA on July 23, 2021, we had not previously submitted an NDA to the FDA or similar applications to comparable foreign regulatory authorities for any of our product candidates.

Our business currently heavily depends on the successful development, regulatory approval and commercialization of our sulopenem program. The clinical development of our sulopenem program, or any future product candidates, is susceptible to the risk of failure inherent at any stage of drug development, including failure to demonstrate efficacy in a clinical trial or across a broad population of patients, the occurrence of severe adverse events, failure to comply with protocols or applicable regulatory requirements, and determination by the FDA or any comparable foreign regulatory authority that a drug product is not approvable. A number of companies in the pharmaceutical industry, including biotechnology companies, have suffered significant setbacks in clinical trials, even after promising results in earlier non-clinical studies or clinical trials. The results of preclinical and other non-clinical studies and/or early clinical trials of our product candidates or future product candidates may not be predictive of the results of later-stage clinical trials and interim results of a clinical trial do not necessarily predict final results. Notwithstanding any promising results in early non-clinical studies or clinical trials, we cannot be certain that we will not face similar setbacks.

Preclinical and clinical data are often susceptible to varying interpretations and analyses. Although data from clinical trials of oral sulopenem and sulopenem provides support for the overall safety profile of the product candidates, many companies that believed their product candidates performed satisfactorily in preclinical studies and clinical trials have nonetheless failed to obtain marketing approval for the product candidates. Even if we believe that the results of our clinical trials warrant marketing approval, the FDA or comparable foreign regulatory authorities may disagree and may not grant marketing approval of our product candidates. For example, we received a CRL from the FDA on July 23, 2021 for our NDA for oral sulopenem for the treatment of uUTIs in patients with a quinolone non-susceptible pathogen. The CRL provided that additional data are necessary to support approval of oral sulopenem for the treatment of adult women with uUTIs caused by designated susceptible microorganisms proven or strongly suspected to be non-susceptible to a quinolone and recommended that we conduct at least one additional adequate and well-controlled clinical trial, potentially using a different comparator drug. Additionally, the FDA recommended that we conduct further non-clinical investigation to determine the optimal dosing regimen, although the FDA stated that this recommendation does not raise an approvability issue. We had a Type A meeting with the FDA in September 2021 to discuss the steps required for potential resubmission of the NDA for oral sulopenem. We have requested a Type B meeting with the FDA to discuss the design of a potential new clinical trial to support such potential resubmission. Notwithstanding our interactions with the FDA to date, there can be no assurance that we will be in a position to resolve the matters set forth in the CRL, that we will be able to design, initiate and complete the future clinical trial and potential non-clinical studies intended to support a resubmission of our NDA or that any data generated by future clinical and potential non-clinical investigation will be adequate to support resubmission or approval of our NDA.

In some instances, there can be significant variability in safety and/or efficacy results between different clinical trials of the same product candidate due to numerous factors, including changes in trial procedures set forth in protocols, differences in the size and type of the patient populations, adherence to the dosing regimen and other trial protocols and the rate of dropout among clinical



trial participants, among others. It is possible that even if one or more of our product candidates has a beneficial effect, that effect will not be detected during clinical evaluation as a result of one of the factors listed or otherwise. Conversely, as a result of the same factors, our clinical trials may indicate an apparent positive effect of a product candidate that is greater than the actual positive effect, if any. Similarly, in our clinical trials, we may fail to detect toxicity of or intolerability of our product candidates or may determine that our product candidates are toxic or not well tolerated when that is not in fact the case. In the case of our clinical trials, results may differ on the basis of the type of bacteria with which patients are infected. We cannot assure our shareholders that any clinical trials that we are conducting or other clinical trials that we may conduct will demonstrate consistent or adequate efficacy and safety to obtain regulatory approval to market our product candidates.

We may encounter unforeseen events prior to, during, or as a result of, clinical trials that could delay or prevent us from obtaining regulatory approval for oral sulopenem, sulopenem or any of our other product candidates, including:

- although we conducted our Phase 3 clinical trials pursuant to Special Protocol Assessment (SPA) agreements, the FDA or other comparable foreign regulatory authorities may ultimately disagree as to the design or implementation of our Phase 3 clinical trials or other clinical trials, or may request additional data to support approval, such as in the CRL from July 2021;
- we may not reach agreement on acceptable terms with all clinical trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different trial sites;
- clinical trials of our product candidates, including any additional clinical trial(s) conducted in response to the CRL, may produce unfavorable or inconclusive results;
- we may decide, or regulators may require us, to conduct additional clinical trials or abandon product development programs;
- our third-party contractors, including those manufacturing our product candidates or conducting clinical trials on our behalf, may fail to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all;
- the FDA, the local National Health Authorities or institutional review boards may not authorize us or our investigators to commence a clinical trial or conduct a clinical trial at a prospective trial site;
- we may have to suspend or terminate clinical trials of a product candidate for various reasons, including non-compliance with regulatory requirements or a finding that the participants are being exposed to unacceptable health risks, undesirable side effects or other unexpected characteristics of the product candidate;
- the FDA or comparable foreign regulatory authorities may fail to approve the manufacturing processes or facilities of third-party manufacturers with which we enter into agreement for clinical and commercial supplies; or
- the supply or quality of our product candidates or other materials necessary to conduct clinical trials of our product candidates may be insufficient or inadequate.

If we are required to conduct additional clinical trials or other testing of oral sulopenem, sulopenem or any other product candidate beyond the clinical trials and testing that we contemplate, if we are unable to successfully complete clinical trials or other testing of our product candidates, if the results of these clinical trials or tests are unfavorable or are only modestly favorable or if there are safety concerns associated with oral sulopenem, sulopenem or any other product candidate, we may:

- incur additional unplanned costs;
- be delayed in obtaining marketing approval for our product candidates;
- not obtain marketing approval at all;
- obtain approval for indications or patient populations that are not as broad as intended or desired;
- obtain approval with labeling that includes significant use or distribution restrictions or significant safety warnings, including boxed warnings;
- be subject to additional post-marketing testing or other requirements; or
- be required to remove the product from the market after obtaining marketing approval.

Our failure to successfully initiate and complete clinical trials of our product candidates and to demonstrate the efficacy and safety necessary to obtain regulatory approval to market any of our product candidates would significantly harm our business. Significant clinical trial delays also could shorten any periods during which we may have the exclusive right to commercialize our product candidates or allow our competitors to bring products to market before we do and impair our ability to successfully

commercialize our product candidates, which may harm our business and results of operations. In addition, many of the factors that cause, or lead to, delays of clinical trials may ultimately lead to the denial of regulatory approval of oral sulopenem, sulopenem or any other product candidate.

***If we experience delays or difficulties in the enrollment of patients in clinical trials, clinical development activities could be delayed or otherwise adversely affected.***

The timely completion of clinical trials in accordance with their protocols depends, among other things, on our ability to enroll a sufficient number of patients who remain in the study until its conclusion. While enrollment has completed for all three of our Phase 3 clinical trials, we may not be able to initiate, continue or complete other clinical trials (including our ongoing Phase 1 clinical trial related to pediatric indications and any additional clinical trials that may be conducted in response to the CRL) of oral sulopenem, sulopenem or any other product candidate that we develop if we are unable to locate and enroll a sufficient number of eligible patients to participate in clinical trials as required by the FDA or comparable foreign regulatory authorities, such as the EMA. Patient enrollment is a significant factor in the timing of clinical trials, and is affected by many factors, including:

- the size and nature of the patient population;
- the severity of the disease under investigation;
- the proximity of patients to clinical sites;
- the eligibility criteria for participation in the clinical trial;
- the number of sites at which we conduct the trial and the speed at which we are able to open such sites;
- the prevalence of antibiotic resistance to pathogens where we conduct the clinical trial;
- the accuracy of certain estimates and assumptions upon which the design of the protocols are predicated;
- our ability to recruit clinical trial investigators with appropriate experience;
- competing clinical trials and clinicians' and patients' perceptions as to the potential advantages and risks of the product candidate being studied in relation to other available therapies, including any new drugs that may be approved for the indications that we are investigating;
- our ability to obtain and maintain patient consents;
- the risk that patients enrolled in clinical trials will drop out of the clinical trials before completion; and
- the impact on access to hospitals and willingness of patients to participate in clinical trials such as our ongoing Phase 1 clinical trials related to pediatric indications and any other clinical trials that may be required for regulatory approval of our product candidates, as a result of pandemics, like COVID-19, and other health crises.

The inclusion and exclusion criteria for any clinical trials of oral sulopenem and sulopenem may adversely affect our enrollment rates for patients in those clinical trials. In addition, we may face competition in enrolling suitable patients as a result of other companies conducting clinical trials for antibiotic product candidates that are intended to treat similar infections, resulting in slower than anticipated enrollment in our clinical trials. Enrollment delays in our clinical trials may result in increased development costs for oral sulopenem and/or sulopenem, or slow down or halt our product development for oral sulopenem and/or sulopenem.

In response to the COVID-19 pandemic, the FDA issued guidance on March 18, 2020, and updated it on July 2, 2020, January 27, 2021, and August 30, 2021 to address the conduct of clinical trials during the pandemic. The guidance sets out a number of considerations for sponsors of clinical trials impacted by the pandemic, including the requirement to include in the clinical study report (or as a separate document) contingency measures implemented to manage the study, and any disruption of the study as a result of COVID-19; a list of all study participants affected by COVID-19-related study disruptions by a unique subject identifier and by investigational site, and a description of how the individual's participation was altered; and analyses and corresponding discussions that address the impact of implemented contingency measures (e.g., participant discontinuation from investigational product and/or study, alternative procedures used to collect critical safety and/or efficacy data) on the safety and efficacy results reported for the study. In its most recent update to this guidance, FDA addresses questions received during the past year from clinical practitioners who are adapting their operations in a pandemic environment. These questions focused on, among other things, when to suspend, continue or initiate a trial and how to submit changes to protocols for investigational new drugs and handle remote site monitoring visits. There is no assurance that this guidance governing clinical studies during the pandemic will remain in effect or, even if it does, that it will help address the risks and challenges enumerated above.

Accordingly, our inability to enroll a sufficient number of patients for our clinical trials would result in significant delays or might require us to abandon one or more clinical trials altogether. Enrollment delays in our clinical trials, such as our ongoing Phase 1 clinical trial related to pediatric indications or any additional clinical trials that may be conducted in response to the CRL, may result in increased development costs for our product candidates, slow down or halt our product candidate development and approval process and jeopardize our ability to seek and obtain the marketing approval required to commence product sales and generate



revenue, which would cause the value of our company to decline and limit our ability to obtain additional financing if needed. Furthermore, we rely on and expect to continue to rely on contract research organizations (CROs) and clinical trial sites to ensure the proper and timely conduct of our clinical trials, and we have limited influence over their performance or the impact of pandemics, like COVID-19, to their business.

***Success in non-clinical testing and early clinical trials does not ensure that later clinical trials will be successful, and we cannot assure our shareholders that any clinical trials that we may conduct will demonstrate consistent or adequate efficacy and safety to obtain regulatory approval to market our sulopenem program in any indication.***

Although we believe that oral sulopenem and sulopenem have the potential to treat uUTI, cUTI and cIAI in humans based on the results of prior preclinical studies and clinical trials, we cannot guarantee that oral sulopenem and/or sulopenem will demonstrate the expected efficacy in clinical trial patients to the satisfaction of the FDA and/or other regulators. We also cannot guarantee that the projections made from the pharmacokinetic and pharmacodynamic models that we developed from non-clinical and clinical oral sulopenem and sulopenem studies will be validated in these clinical trials. For example, while we believe that sulopenem has the potential to treat cIAIs and cUTIs in humans based on the results of prior preclinical studies and clinical trials, sulopenem did not meet the primary endpoint of statistical non-inferiority compared to the control therapy in our Phase 3 cIAI and cUTI clinical trials. While we believe the secondary supporting analyses and safety data in all three Phase 3 clinical trials support the potential of sulopenem in the treatment of multi-drug resistant infections, we cannot guarantee that these supporting analyses are indicative of efficacy of sulopenem in treating cIAI or cUTI. Similarly, while we believe that sulopenem has the potential to treat uUTI in humans based on the results of prior preclinical studies and clinical trials, and based on our Phase 3 uUTI clinical trial, in the population of patients with baseline pathogens resistant to quinolones, in which sulopenem met the related primary endpoint by demonstrating statistical significance in the overall response rate by treatment arm in the ciprofloxacin-resistant population, sulopenem did not meet the primary endpoint of statistical non-inferiority compared to ciprofloxacin in the population of patients with baseline pathogens susceptible to ciprofloxacin in our Phase 3 uUTI clinical trial. Based on discussions with the FDA at a pre-NDA meeting and previous correspondence with the FDA, we submitted an NDA for oral sulopenem for the treatment of uUTI in patients with a quinolone non-susceptible pathogen in the fourth quarter of 2020 and the FDA accepted the application for review in January 2021. On July 23, 2021, we received a CRL from the FDA in respect of the NDA. The CRL provided that additional data are necessary to support approval of oral sulopenem for the treatment of adult women with uUTIs caused by designated susceptible microorganisms proven or strongly suspected to be non-susceptible to a quinolone and recommended that we conduct at least one additional adequate and well-controlled clinical trial, potentially using a different comparator drug. Additionally, the FDA recommended that we conduct further non-clinical investigation to determine the optimal dosing regimen, although the FDA stated that this recommendation does not raise an approvability issue. We had a Type A meeting with the FDA in September 2021 to discuss the steps required for potential resubmission of the NDA for oral sulopenem. We have requested a Type B meeting with the FDA to discuss the design of a potential new clinical trial to support such potential resubmission. There can be no assurance that we will be in a position to resolve the matters set forth in the CRL, that we will be able to design, initiate and complete the future clinical trial and potential non-clinical studies intended to support a resubmission of our NDA or that any data generated by future clinical and potential non-clinical investigation will be adequate to support resubmission or approval of our NDA.

Other companies in the pharmaceutical industry have frequently suffered significant setbacks in later clinical trials, even after achieving promising results in earlier non-clinical studies or clinical trials.

***Serious adverse events or undesirable side effects or other unexpected properties of oral sulopenem, sulopenem or any other product candidate may be identified during development or after approval that could delay, prevent or cause the withdrawal of regulatory approval, limit the commercial potential, or result in significant negative consequences following marketing approval.***

Serious adverse events or undesirable side effects caused by, or other unexpected properties of, our product candidates could cause us, an institutional review board (IRB), or regulatory authorities to interrupt, delay or halt our clinical trials and could result in a more restrictive label, the imposition of distribution or use restrictions or the delay or denial of regulatory approval by the FDA or comparable foreign regulatory authorities. If oral sulopenem, sulopenem or any of our other product candidates is associated with serious or unexpected adverse events or undesirable side effects, the FDA or the IRBs at the institutions in which our studies are conducted, could suspend or terminate our clinical trials or the FDA or comparable foreign regulatory authorities could order us to cease clinical trials or deny approval of our product candidates for any or all targeted indications. Treatment-related side effects could also affect patient recruitment or the ability of enrolled patients to complete the clinical trial or result in potential product liability claims. Any of these occurrences may harm our business, financial condition and prospects significantly.

To date, sulopenem and sulopenem etzadroxil have generally been well tolerated in clinical trials conducted in healthy subjects and patients and there were no safety issues found in any patients treated with sulopenem in our Phase 3 clinical trials. During the development of oral sulopenem and sulopenem, patients have experienced drug-related side effects including diarrhea, temporary increases in hepatic enzymes, allergic reactions, and rash. In the Japanese program conducted by Pfizer in the early 1990s, one patient reported a serious adverse event related to sulopenem of a transient elevation in liver function tests. The patient died due to metastatic lung cancer. Other serious adverse events recorded in patients receiving sulopenem in the Japanese program, which were not considered by the investigator to be related to sulopenem, included myocardial infarction with respiratory failure

and progression of underlying ovarian carcinoma, in both cases resulting in death. For each of these patients, sulopenem was not determined to be the cause of death.

While the active pharmaceutical ingredient in the bilayer tablet is sulopenem etzadroxil, the combination product with probenecid has not yet been tested extensively in patients. In the cIAI trial, patients received either sulopenem IV followed by sulopenem etzadroxil or ertapenem followed by ciprofloxacin/metronidazole or amoxicillin-clavulanate. Among 668 treated patients, treatment-related adverse events were observed in 6.0% and 5.1% of patients on sulopenem and ertapenem, respectively, with the most commonly reported drug-related adverse event being diarrhea, which was observed in 4.5% and 2.4% of patients on sulopenem and ertapenem, respectively. Discontinuations from treatment were uncommon for both regimens, occurring in 1.5% of patients on sulopenem and 2.1% of patients on ertapenem. Serious adverse events unrelated to study treatment were seen in 7.5% of patients on sulopenem and 3.6% of patients on ertapenem. In the cUTI trial, patients received either sulopenem IV followed by sulopenem etzadroxil, if eligible for oral therapy, or ertapenem IV followed by ciprofloxacin or amoxicillin-clavulanate, if eligible for oral therapy. Among 1,392 treated patients, treatment-related adverse events were observed in 6.0% and 9.2% of patients on sulopenem and ertapenem, respectively, with the most commonly reported adverse events being headache (3.0% and 2.2%), diarrhea (2.7% and 3.0%) and nausea (1.3% and 1.6%), on sulopenem and ertapenem, respectively. Discontinuations from treatment were uncommon for both regimens, occurring in 0.4% of patients on sulopenem and 0.6% of patients on ertapenem. Serious adverse events unrelated to study treatment were seen in 2.0% of patients on sulopenem and 0.9% of patients on ertapenem. In the uUTI trial, patients received either oral sulopenem or ciprofloxacin. Among 1,660 treated patients, treatment related adverse events were observed in 17.0% and 6.2% of patients on sulopenem and ciprofloxacin, respectively. The most commonly reported adverse events were diarrhea (12.4% and 2.5%), nausea (3.7% and 3.6%), and headache (2.2% and 2.2%), for sulopenem and ciprofloxacin patients, respectively. The difference in adverse events was driven by diarrhea which, in the majority of patients, was mild and self-limited. Overall discontinuations due to adverse events were uncommon on both regimens and were seen in 1.6% of patients on sulopenem and 1.0% of patients on ciprofloxacin. Serious adverse events were seen in 0.7% of patients on sulopenem with one drug-related serious adverse event due to transient angioedema and 0.2% of patients on ciprofloxacin with no drug-related serious adverse event.

While we believe these results support a positive safety and tolerability profile for sulopenem and there were no safety issues identified in the CRL received from the FDA in July 2021, in future trials there may be unforeseen serious adverse events or side effects that differ from those seen in our Phase 3 program, in Phase 1 normal healthy volunteers with oral sulopenem or the prior post-marketing experience with probenecid. There may also be unexpected adverse events associated with probenecid that have not been seen to date.

If unexpected adverse events occur in any of our clinical trials, we may need to abandon development of our product candidates, or limit development to lower doses or to certain uses or subpopulations in which the undesirable side effects or other unfavorable characteristics are less prevalent, less severe or more acceptable from a risk-benefit perspective. Many compounds that initially showed promise in clinical or earlier stage testing are later found to cause undesirable or unexpected side effects that prevent further development of the compound.

Undesirable side effects or other unexpected adverse events or properties of oral sulopenem, sulopenem or any of our other future product candidates could arise or become known either during clinical development or, if approved, after the approved product has been marketed. If such an event occurs during development, our clinical trials could be suspended or terminated and the FDA or comparable foreign regulatory authorities could order us to cease further development of, or could deny approval of, oral sulopenem, sulopenem or other product candidates. If such an event occurs after such product candidates are approved, a number of potentially significant negative consequences may result, including:

- regulatory authorities may withdraw the approval of such product;
- we may be required to recall a product or change the way such product is administered to patients;
- regulatory authorities may require additional warnings on the label or impose distribution or use restrictions;
- regulatory authorities may require one or more post-marketing studies;
- regulatory authorities may require the addition of a “black box” warning;
- we may be required to implement a Risk Evaluation and Mitigation Strategy (REMS), including the creation of a medication guide outlining the risks of such side effects for distribution to patients;
- we could be sued and held liable for harm caused to patients;
- our product may become less competitive; and
- our reputation may suffer.

Additionally, if the safety warnings in our product labels are not followed, adverse medical situations in patients may arise, resulting in negative publicity and potential lawsuits, even if our products worked as we described. Any of these events could prevent us from achieving or maintaining market acceptance of the affected product candidate, if approved, or could substantially increase commercialization costs and expenses, which could delay or prevent us from generating revenue from the sale of our products and harm our business and results of operations.

***Even if a product candidate does obtain regulatory approval, it may never achieve the market acceptance by physicians, patients, hospitals, third-party payors and others in the medical community that is necessary for commercial success, and the market opportunity may be smaller than we estimate.***

Even if we obtain FDA or other regulatory approvals and are able to launch oral sulopenem, sulopenem or any other product candidate commercially, the product candidate may not achieve market acceptance among physicians, patients, hospitals (including pharmacy directors) and third-party payors and, ultimately, may not be commercially successful. For example, physicians are often reluctant to switch their patients from existing therapies even when new and potentially more effective or convenient treatments enter the market. Moreover, many antibiotics currently exist for the pathogens underlying uUTI, cUTI and cIAI. While many of those pathogens are resistant to certain drugs in the market, the selection is broad, and individual physicians' prescribing patterns vary widely and are affected by resistance rates in their geographies, whether their patients are at elevated risk, the ability of patients to afford branded drugs and concerns regarding generating resistance with specific classes of antibiotics.

Efforts to educate the medical community and third-party payors on the benefits of our product candidates may require significant resources and may not be successful. If oral sulopenem, sulopenem or any other product candidate that we develop does not achieve an adequate level of market acceptance, we may not generate significant product revenues and, therefore, we may not become profitable. Market acceptance of any product candidate for which we receive approval depends on a number of factors, including:

- the efficacy and safety of the product candidate as demonstrated in clinical trials as compared to alternative treatments;
- the potential and perceived advantages and disadvantages of the product candidates, including cost and clinical benefit relative to alternative treatments;
- relative convenience and ease of administration;
- the clinical indications for which the product candidate is approved;
- the willingness of physicians to prescribe the product;
- the willingness of hospital pharmacy directors to purchase the product for their formularies;
- acceptance by physicians, patients, operators of hospitals and treatment facilities and parties responsible for coverage and reimbursement of the product;
- the availability of coverage and adequate reimbursement by third-party payors and government authorities;
- the effectiveness of our sales and marketing efforts or those of collaborators, where we choose not to commercialize directly ourselves;
- the strength of marketing and distribution support;
- limitations or warnings, including distribution or use restrictions, contained in the product's approved labeling or an approved REMS;
- whether the product is designated under physician treatment guidelines as a first-line therapy or as a second- or third-line therapy for particular infections;
- the approval of other new products for the same indications;
- the timing of market introduction of the approved product as well as competitive products;
- adverse publicity about the product or favorable publicity about competitive products;
- the emergence of bacterial resistance to the product; and
- the rate at which resistance to other drugs in the target infections grows.

In addition, the potential market opportunity for oral sulopenem and sulopenem is difficult to estimate. Our estimates of the potential market opportunity are predicated on several key assumptions such as industry knowledge and publications, third-party research reports and other surveys. While we believe that our internal assumptions are reasonable, these assumptions involve the exercise of significant judgment on the part of our management, are inherently uncertain and the reasonableness of these assumptions has not been assessed by an independent source. If any of the assumptions prove to be inaccurate, then the actual market for oral sulopenem and/or sulopenem could be smaller than our estimates of the potential market opportunity. If the actual market for oral sulopenem and/or sulopenem is smaller than we expect, or if the product fails to achieve an adequate level of acceptance by physicians, health care payors, patients, hospitals and others in the medical community, our product revenue may be limited and it may be more difficult for us to achieve or maintain profitability.

***We currently have no commercial organization. If we are unable to establish and maintain sales, marketing and distribution capabilities or enter into sales, marketing and distribution agreements with third parties, we may not be successful in commercializing oral sulopenem, sulopenem or any other product candidate if such product candidate is approved.***

If we are unable to establish and maintain sales, marketing and distribution capabilities or enter into sales, marketing and distribution agreements with third parties, we may not be successful in commercializing oral sulopenem, sulopenem or any other product candidate if such product candidate is approved.

We are currently evaluating our commercialization strategy in the United States and other territories. We are focusing our initial commercial efforts on the United States market, which we believe represents the largest market opportunity for our sulopenem program. We currently do not have a sales, marketing or distribution infrastructure and we have no experience in the sales, marketing or distribution of pharmaceutical products. To achieve commercial success for any approved product, we must either build our marketing, sales, distribution, managerial and other non-technical capabilities, or make arrangements to outsource those functions to third parties. If oral sulopenem and/or sulopenem receive regulatory approval, we may build a commercial organization and recruit a targeted sales force with technical expertise, an internal marketing and health resource group, as well as a managed markets group focused on reimbursement activities with third-party payors and a specialty distribution team to ensure pharmacy-level stocking and, where we choose not to commercialize directly ourselves, we will seek to commercialize oral sulopenem and/or sulopenem through collaboration arrangements. We are not currently party to any such arrangements but engaged a potential commercial partner to provide pre-commercial activities and commenced negotiations on a definitive agreement for commercialization services. Following receipt of the CRL in July 2021, in order to reduce operating expenses and conserve cash resources, we halted any remaining pre-commercial activities and paused negotiations on the definitive agreement for commercialization services. There is no assurance that we will be able to reach a definitive agreement for commercialization services in the future.

The development of sales, marketing and distribution capabilities will require substantial resources, will be time-consuming and could delay any product launch. If the commercial launch of a product candidate for which we recruit a sales force and establish marketing and distribution capabilities is delayed or does not occur for any reason, we would have prematurely or unnecessarily incurred these commercialization costs. This may be costly, and our investment would be lost if we cannot retain or reposition our sales and marketing personnel. In addition, we may not be able to hire a sales force in the United States that is sufficient in size or has adequate expertise in the medical markets that we intend to target. If we are unable to establish a sales force and marketing and distribution capabilities, our operating results may be adversely affected. Any failure or delay in the development of our internal sales, marketing and distribution capabilities would adversely impact the commercialization of our product candidates.

Other factors that may inhibit our efforts to commercialize our products directly include:

- our inability to reach a definitive agreement for commercialization services with respect to the potential commercialization of oral sulopenem in the United States or to obtain consent from a portion of the holders of the Exchangeable Notes prior to entering into such agreement as may be required pursuant to the EN Indenture;
- challenges in developing a commercialization strategy or launching new drug products using a traditional marketing model during a global health crisis or pandemic, like COVID-19;
- our inability to recruit, train and retain adequate numbers of effective sales and marketing personnel;
- the inability of a health resources group to obtain access to educate physicians regarding the attributes of our future products;
- lack of adequate number of physicians to use or prescribe our products;
- the lack of complementary products to be offered by sales personnel, which may put us at a competitive disadvantage relative to companies with more extensive product lines; and
- costs and expenses associated with creating an independent sales and marketing organization.

For those countries in which we choose not to commercialize directly ourselves, such as the United States, we intend to use collaborators that have direct sales forces and established distribution systems to assist with the commercialization of oral sulopenem, sulopenem and any other product candidate. As a result of entering into arrangements with third parties to perform sales, marketing and distribution services, our product revenues or the profitability of these product revenues to us would likely be lower than if we were to directly market and sell products in those markets.

Furthermore, we may be unsuccessful in entering into the necessary arrangements with third parties, including with respect to the potential commercialization of oral sulopenem in the United States, if approved, or in obtaining all necessary approvals that may be required to enter into such arrangements, or may be unable to do so on terms that are favorable to us. In addition, we likely would have little control over such third parties, and any of them might fail to devote the necessary resources and attention to sell and market our products effectively.

If we do not establish sales and marketing capabilities successfully, either on our own or in collaboration with third parties, we will not be successful in commercializing our product candidates.

***We face substantial competition from other pharmaceutical and biotechnology companies and our business may suffer if we fail to compete effectively.***

The development and commercialization of new drug products is highly competitive. We face competition from major pharmaceutical companies, specialty pharmaceutical companies and biotechnology companies worldwide with respect to oral sulopenem, sulopenem and other product candidates that we may seek to develop and commercialize in the future. There are a number of pharmaceutical and biotechnology companies that currently market and sell products or are pursuing the development of product candidates for the treatment of multi-drug resistant infections. Potential competitors also include academic institutions, government agencies and other public and private research organizations. Our competitors may succeed in developing, acquiring or licensing technologies and drug products that are more effective or less costly than oral sulopenem, sulopenem or any other product candidates that we may develop, which could render our product candidates obsolete and noncompetitive.

There are a variety of available oral therapies marketed for the treatment of multi-drug resistant infections that we would expect would compete with oral sulopenem and sulopenem, such as levofloxacin, ciprofloxacin, nitrofurantoin, fosfomycin, amoxicillin-clavulanate, cephalexin and trimethoprim-sulfamethoxazole. Many of the available therapies are well established and widely accepted by physicians, patients and third-party payors. Insurers and other third-party payors may also encourage the use of generic products, for example in the fluoroquinolone class. If oral sulopenem or sulopenem is approved, the pricing may be at a significant premium over other competitive products that are generic. This may make it difficult for oral sulopenem or sulopenem to compete with these products.

There are also a number of oral product candidates in clinical development by third parties that are intended to treat UTIs. Some mid- to late-stage product candidates include gepotidacin from GlaxoSmithKline, tebipenem pivoxil from Spero Therapeutics, Inc. and pivmecillinam from Utility Therapeutics Limited. If our competitors obtain marketing approval from the FDA or comparable foreign regulatory authorities for their product candidates more rapidly than us, it could result in our competitors establishing a strong market position before we are able to enter the market.

There are several IV-administered products marketed for the treatment of infections resistant to first-line therapy for gram-negative infections, including Avycaz from AbbVie Inc and Pfizer, Vabomere from Melinta Therapeutics, Inc., Zerbaxa from Merck & Co., Zemdri from Cipla, Xerava from La Jolla Pharmaceutical Company, Recarbrio from Merck & Co, and Fetroja from Shionogi & Co., Ltd. In addition, Nabriva Therapeutics plc's Contepo is an IV-administered product candidate in late-stage clinical development intended to treat resistant gram-negative infections.

Many of our competitors have significantly greater financial resources and expertise in research and development, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved products than we do. Mergers and acquisitions in the pharmaceutical and biotechnology industries may result in even more resources being concentrated among a smaller number of our competitors. Smaller and other early stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These third parties compete with us in recruiting and retaining qualified scientific, management and sales and marketing personnel, establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs.

In July 2012, the Food and Drug Administration Safety and Innovation Act was passed, which included the Generating Antibiotics Incentives Now Act (the GAIN Act). The GAIN Act is intended to provide incentives for the development of new, qualified infectious disease products (QIDP). One such incentive is that, once a product receives QIDP designation and completes the necessary clinical trials and is approved by the FDA, it will be given an additional five years of regulatory exclusivity regardless of whether it is protected by a patent, provided that it is already eligible for another type of regulatory exclusivity. The FDA has designated sulopenem and oral sulopenem as QIDPs for the indications of uUTI, cUTI, cIAI, community-acquired bacterial pneumonia, acute bacterial prostatitis, gonococcal urethritis, and pelvic inflammatory disease. Fast track designation for these seven indications in both the oral and intravenous formulations has also been granted. In December 2016, the Cures Act was passed, providing additional support for the development of new infectious disease products. These incentives may result in more competition in the market for new antibiotics, and may cause pharmaceutical and biotechnology companies with more resources than we have to shift their efforts towards the development of product candidates that could be competitive with oral sulopenem, sulopenem and our other product candidates.

***Even if we are able to commercialize oral sulopenem, sulopenem or any other product candidate, the product may become subject to unfavorable pricing regulations, or third-party payor coverage and reimbursement policies that could harm our business.***

Marketing approvals, pricing, coverage and reimbursement for new drug products vary widely from country to country. Some countries require approval of the sale price of a drug before it can be marketed. In many countries, the pricing review period begins after marketing or product licensing approval is granted. In some foreign markets, prescription pharmaceutical pricing remains subject to continuing governmental control even after initial approval is granted. As a result, we might obtain marketing approval for a product in a particular country, but then be subject to price regulations that delay our commercial launch of the

product, possibly for lengthy time periods, which may negatively affect the revenues that we are able to generate from the sale of the product in that

country. Adverse pricing limitations may hinder our ability to recoup our investment in one or more product candidates, even if our product candidates obtain marketing approval.

The commercial success of oral sulopenem and any future product candidates, if approved, will depend substantially, both in the United States and outside the United States, on the extent to which coverage and adequate reimbursement for the product and related treatments are available from government health programs, private health insurers and other third-party payors. If coverage is not available, or reimbursement is limited, we may not be able to successfully commercialize our product candidates. Even if coverage is provided, the approved reimbursement amount may not be high enough to allow us to establish or maintain pricing sufficient to realize a sufficient return on our investments. Government authorities and third-party payors, such as health insurers and managed care organizations, publish formularies that identify the medications they will cover and the related payment levels. The healthcare industry is focused on cost containment, both in the United States and elsewhere. Government authorities and third-party payors have attempted to control costs by limiting coverage and the amount of reimbursement for particular medications, which could affect our ability to sell our product candidates profitably.

In the United States, sales of our product candidates will depend, in part, on the availability and extent of coverage and reimbursement by third-party payors, such as government health programs, including Medicare and Medicaid, commercial insurance and managed healthcare organizations. There is no uniform coverage and reimbursement policy among third-party payors; however, private third-party payors often follow Medicare coverage policy and payment limitations in setting their own reimbursement rates. Obtaining coverage and reimbursement approval for a product candidate from third-party payors is a time-consuming and costly process that may require the provision of supporting scientific, clinical and cost effectiveness data for the use of such product candidate to the third-party payor. There may be significant delays in obtaining such coverage and reimbursement for newly approved products, and coverage may be more limited than the purposes for which the product candidate is approved by the FDA. Moreover, eligibility for coverage and reimbursement does not imply that a product candidate will be paid for in all cases or at a rate that covers operating costs, including research, development, intellectual property, manufacture, sales and distribution expenses. Reimbursement rates may vary according to the use of the product candidate and the clinical setting in which it is used, may be based on reimbursement levels already set for lower cost products and may be incorporated into existing payments for other services. It is difficult to predict what third-party payors will decide with respect to coverage and reimbursement for our product candidates.

We currently expect that sulopenem IV, if approved, will be administered in a hospital setting, and oral sulopenem, if approved, will be used in a community setting and possibly be administered in a hospital inpatient setting as well. In the United States, third-party payors generally reimburse hospitals a single bundled payment established on a prospective basis intended to cover all items and services provided to the patient during a single hospitalization. Hospitals bill third-party payors for all or a portion of the fees associated with the patient's hospitalization and bill patients for any deductibles or co-payments. Because there is typically no separate reimbursement for drugs administered in a hospital inpatient setting, some of our target customers may be unwilling to adopt our product candidates in light of the additional associated cost. If we are forced to lower the price we charge for our product candidates, if approved, our gross margins may decrease, which would adversely affect our ability to invest in and grow our business. Centers for Medicare and Medicaid Services (CMS) recently revised its reimbursement system for certain antibiotics in order to address challenges associated with antimicrobial resistance. Based on the final rule published on August 2, 2019, CMS is finalizing an alternative new technology add-on payment pathway for certain breakthrough devices, and under this policy, a QIDP product will be considered new and will not need to demonstrate that it meets the substantial clinical improvement criterion. Instead it will only need to meet the cost criterion. CMS has also increased the new technology add-on payment percentage to 75 percent for an antimicrobial designated by the FDA as a QIDP. The potential impact of this rule on sulopenem has not yet been assessed. On January 21, 2020, CMS updated its billing guidance on changes to new technology add-on payments for innovative antibiotics.

An inability to promptly obtain coverage and adequate payment rates from third-party payors for any approved product candidates that we develop could have a material adverse effect on our operating results, our ability to raise capital needed to commercialize products and our overall financial condition.

***We cannot predict whether bacteria may develop resistance to oral sulopenem or sulopenem, which could affect their revenue potential.***

We are developing oral sulopenem and sulopenem to treat drug-resistant bacterial infections. The bacteria responsible for these infections evolve quickly and readily transfer their resistance mechanisms within and between species. We cannot predict whether or when bacterial resistance to oral sulopenem and sulopenem may develop.

As with some commercially available carbapenems, oral sulopenem and sulopenem are not active against organisms expressing a resistance mechanism mediated by enzymes known as carbapenemases. Although occurrence of this resistance mechanism is currently uncommon, we cannot predict whether carbapenemase-mediated resistance will become widespread in regions where we intend to market sulopenem if it is approved. The use of carbapenems or penems in areas with drug-resistant infections or in countries with poor public health infrastructures, or the potentially extensive use of oral sulopenem or sulopenem outside of controlled hospital settings or in the community, could contribute to the rise of resistance. In addition, prescribers may be less likely to prescribe oral sulopenem and sulopenem if they are concerned about contributing to the rise of antibiotic resistance. If resistance to oral sulopenem or sulopenem becomes prevalent, or concerns about such resistance are strong, our ability to generate revenue from oral sulopenem and sulopenem could suffer.



***We may be subject to costly product liability claims related to our clinical trials and product candidates and, if we are unable to obtain adequate insurance or are required to pay for liabilities resulting from a claim excluded from, or beyond the limits of our insurance coverage, a material liability claim could adversely affect our financial condition.***

Because we conduct clinical trials with human patients, we face the risk that the use of our product candidates may result in adverse side effects to patients in our clinical trials. We face even greater risks upon any commercialization of our product candidates. Although we have product liability insurance, which covers our clinical trials for up to \$10.0 million, our insurance may be insufficient to reimburse us for any expenses or losses we may suffer. We will need to increase our insurance coverage if and when we receive marketing approval for and begin selling oral sulopenem, sulopenem or any other product candidate. We do not know whether we will be able to continue to obtain product liability coverage and obtain expanded coverage if we require it, on acceptable terms, if at all.

We may not have sufficient resources to pay for any liabilities resulting from a claim excluded from, or beyond the limits of, our insurance coverage. Where we have provided indemnities in favor of third parties under our agreements with them, there is also a risk that these third parties could incur a liability and bring a claim under such indemnities. An individual may bring a product liability claim against us alleging that one of our product candidates or products causes, or is claimed to have caused, an injury or is found to be unsuitable for consumer use. Any product liability claim brought against us, with or without merit, could result in:

- withdrawal of clinical trial volunteers, investigators, patients or trial sites;
- the inability to commercialize our product candidates;
- decreased demand for our product candidates;
- regulatory investigations that could require costly recalls or product modifications;
- loss of revenue;
- substantial costs of litigation;
- liabilities that substantially exceed our product liability insurance, which we would then be required to pay ourselves;
- an increase in our product liability insurance rates or the inability to maintain insurance coverage in the future on acceptable terms, if at all;
- the diversion of management's attention from our business; and
- damage to our reputation and the reputation of our products.

***Our operations, including our use of hazardous materials, chemicals, bacteria and viruses, require us to comply with regulatory requirements and expose us to significant potential liabilities.***

Our operations involve the use of hazardous materials, including chemicals, and may produce dangerous waste products. Accordingly, we, along with the third parties that conduct clinical trials and manufacture our products and product candidates on our behalf, are subject to federal, state, local and foreign laws and regulations that govern the use, manufacture, distribution, storage, handling, exposure, disposal and recordkeeping with respect to these materials. We are also subject to a variety of environmental and occupational health and safety laws. Compliance with current or future laws and regulations can require significant costs and we could be subject to substantial fines and penalties in the event of non-compliance. In addition, the risk of contamination or injury from these materials cannot be completely eliminated. In such event, we could be held liable for substantial civil damages or costs associated with the cleanup of hazardous materials.

***If we experience a significant disruption in our information technology systems or breaches of data security, our business could be adversely affected.***

We rely on information technology systems to keep financial records, capture laboratory data, maintain clinical trial data and corporate records, communicate with staff and external parties and operate other critical functions. Our information technology systems are potentially vulnerable to disruption due to breakdown, malicious intrusion and computer viruses or other disruptive events including, but not limited to, natural disaster. If we were to experience a prolonged system disruption in our information technology systems or those of certain of our vendors, it could delay or negatively impact the development and commercialization of our sulopenem program and any future product candidates or technology, which could adversely impact our business. Although we maintain offsite back-ups of our data, if operations at our facilities were disrupted, it may cause a material disruption in our business if we are not capable of restoring function on an acceptable timeframe. In addition, our information technology systems are potentially vulnerable to data security breaches, whether by employees or others, which may expose sensitive data to unauthorized persons. Such data security breaches could lead to the loss of trade secrets or other intellectual property, or could lead to the public exposure of personal information (including sensitive personal information) of our employees and others, any of which could have a material adverse effect on our business, financial condition and results of operations. Moreover, a security breach or privacy violation that leads to disclosure or modification of, personally identifiable information, could harm our

reputation, compel us to comply with applicable European, and United States federal and/or state, breach notification laws, subject us to mandatory corrective action,

require us to verify the correctness of database contents and otherwise subject us to litigation and liability under laws and regulations that protect personal data, resulting in increased costs or loss of revenue. In addition, a data security breach could result in loss of clinical trial data or damage to the integrity of that data. If we are unable to prevent such security breaches or privacy violations or implement satisfactory remedial measures, our operations could be disrupted, and we may suffer reputational damage, financial loss and other negative consequences because of lost or misappropriated information. In addition, these breaches and other inappropriate access can be difficult to detect, and any delay in identifying them may lead to increased harm of the type described above.

### **Risks Related to Our Dependence on Third Parties**

***If we fail to comply with our obligations in our agreement with Pfizer, we could lose such rights that are important to our business.***

We rely heavily on the Pfizer License pursuant to which we exclusively in-license certain patent rights and know-how related to sulopenem etzadroxil and certain know-how related to the IV formulation of sulopenem. The Pfizer License imposes diligence, development and commercialization timelines, milestone payments, royalties, insurance and other obligations on us, and we may enter into additional agreements, including license agreements, with other parties in the future which impose similar obligations.

The Pfizer License gives us exclusive worldwide rights to develop, manufacture, and commercialize sulopenem etzadroxil and sulopenem, or any other prodrug of sulopenem previously identified by Pfizer as well as the right to use relevant information and regulatory documentation developed by Pfizer to support any regulatory filing worldwide. In exchange for those rights, we are obligated to satisfy diligence requirements, including using commercially reasonable efforts to develop, obtain regulatory approval for and commercialize sulopenem etzadroxil and sulopenem by implementing a specified development plan and providing an update on progress on an annual basis. Under the Pfizer License, we paid Pfizer a one-time non-refundable upfront fee of \$5.0 million, clinical milestone payments totaling \$15.0 million, upon first patient dosing of oral sulopenem and sulopenem in a Phase 3 clinical trial, and are obligated to pay Pfizer milestone payments upon the achievement of other specified regulatory and sales milestones, as well as royalties ranging from a single-digit to mid-teens percentage based on the amount of marginal net sales of each licensed product. Pfizer also received 381,922 of our Series A preferred shares (which converted to ordinary shares in connection with our initial public offering (IPO)) as additional payment for the licensed rights.

If we fail to comply with our obligations to Pfizer under the Pfizer License, Pfizer may have the right to terminate the Pfizer License, in which event we would not be able to develop, obtain regulatory approval for, manufacture or market any product candidate that is covered by the Pfizer License, including sulopenem etzadroxil and sulopenem, which would materially harm our business, financial condition, results of operations and growth prospects. Any termination of the Pfizer License or reduction or elimination of our rights thereunder may result in our having to negotiate new or reinstated agreements with less favorable terms. Any termination of the Pfizer License would cause us to lose our rights to important intellectual property or technology.

***We expect to depend on collaborations with third parties for the development and commercialization of oral sulopenem and/or sulopenem in certain territories. Our prospects with respect to those product candidates will depend in part on the success of those collaborations.***

Although we are focusing our initial commercial efforts on the United States market, which we believe represents the largest market opportunity for our sulopenem program, we are also evaluating our commercialization strategy both within and outside the United States. We currently do not have a sales, marketing or distribution infrastructure and we have no experience in the sales, marketing or distribution of pharmaceutical products. To achieve commercial success for any approved product, we must either build our marketing, sales, distribution, managerial and other non-technical capabilities, or make arrangements to outsource those functions to third parties. For those countries in which we choose not to commercialize directly ourselves, we intend to seek to commercialize oral sulopenem and/or sulopenem through collaboration arrangements. In addition, we may seek third-party collaborators for development and commercialization of other product candidates in the United States and other territories. Our likely collaborators for any marketing, distribution, development, licensing or broader collaboration arrangements include service providers to the pharmaceutical industry, large and mid-size pharmaceutical companies, regional and national pharmaceutical companies and biotechnology companies. We are not currently party to any such arrangements but engaged a potential commercial partner to provide pre-commercial activities and commenced negotiations on a definitive agreement for commercialization services. Following receipt of the CRL in July 2021, in order to reduce operating expenses and conserve cash resources, we halted any remaining pre-commercial activities and paused negotiations on a definitive agreement for commercialization services. There is no assurance that we will be able to reach a definitive agreement for commercialization services in the future.

We may derive revenue from research and development fees, license fees, milestone payments and royalties under any collaborative arrangement into which we enter. Our ability to generate revenue from these arrangements will depend on our collaborators' abilities to successfully perform the functions assigned to them in these arrangements. In addition, our collaborators may have the right to abandon research or development projects and terminate applicable agreements, including funding obligations, prior to or upon the expiration of the agreed upon terms. As a result, we can expect to relinquish some or all of the control over the future success of a product candidate that we license to a third party.

We face significant competition in seeking and obtaining appropriate collaborators. Collaborations involving our product candidates may pose a number of risks, including the following:

- collaborators have significant discretion in determining the efforts and resources that they will apply to these collaborations;
- collaborators may not perform their obligations as expected;
- collaborators may not pursue development and commercialization of our product candidates or may elect not to continue or renew development or commercialization programs based on clinical trial results, changes in the collaborators' strategic focus or available funding, or external factors, such as an acquisition, that divert resources or create competing priorities;
- collaborators may delay clinical trials, provide insufficient funding for a clinical trial program, stop a clinical trial or abandon a product candidate, repeat or conduct new clinical trials or require a new formulation of a product candidate for clinical testing;
- product candidates discovered in collaboration with us may be viewed by our collaborators as competitive with their own product candidates or products, which may cause collaborators to cease to devote resources to the commercialization of our product candidates;
- a collaborator with marketing and distribution rights to one or more products may not commit sufficient resources to the marketing and distribution of such product or products;
- disagreements with collaborators, including disagreements over proprietary rights, contract interpretation or the preferred course of development, might cause delays or termination of the research, development or commercialization of product candidates, might lead to additional responsibilities for us with respect to product candidates, or might result in litigation or arbitration, any of which would be time consuming and expensive;
- collaborators may not properly maintain, defend or enforce our intellectual property rights or may use our proprietary information in such a way as to invite litigation that could jeopardize or invalidate our intellectual property or proprietary information or expose us to potential litigation;
- collaborators may infringe, misappropriate or otherwise violate the intellectual property rights of third parties, which may expose us to litigation and potential liability; and
- collaborations may be terminated and, if terminated, may result in a need for additional capital to pursue further development or commercialization of the applicable product candidates.

Collaboration agreements may not lead to development or commercialization of product candidates in the most efficient manner or at all. If a collaborator of ours is involved in a business combination, it could decide to delay, diminish or terminate the development or commercialization of any product candidate licensed to it by us.

If we are unable to reach agreements with suitable collaborators on a timely basis, on acceptable terms, or at all, we may have to curtail the development of a product candidate, reduce or delay its development program or one or more of our other development programs, delay its potential commercialization or reduce the scope of any sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense. If we elect to fund and undertake development or commercialization activities on our own, we will need to obtain additional expertise and additional capital, which may not be available to us on acceptable terms or at all. If we fail to enter into collaborations and do not have sufficient funds or expertise to undertake the necessary development and commercialization activities, we may not be able to further develop our product candidates or bring them to market or continue to develop our product platform.

***We may rely on third parties to perform many essential services for any products that we commercialize, including services related to warehousing and inventory control, distribution, government price reporting, customer service, accounts receivable management, cash collection, and pharmacovigilance and adverse event reporting. If these third parties fail to perform as expected or to comply with legal and regulatory requirements, our ability to commercialize our product candidates will be significantly impacted and we may be subject to regulatory sanctions.***

We may retain third-party service providers to perform a variety of functions related to the sale and distribution of our product candidates, key aspects of which will be out of our direct control. These service providers may provide key services related to warehousing and inventory control, distribution, customer service, accounts receivable management, and cash collection. If we retain a service provider, we would substantially rely on it as well as other third-party providers that perform services for us, including entrusting our inventories of products to their care and handling. If these third-party service providers fail to comply with applicable laws and regulations, fail to meet expected deadlines, or otherwise do not carry out their contractual duties to us, or encounter physical or natural damage at their facilities, our ability to deliver product to meet commercial demand would be significantly impaired and we may be subject to regulatory enforcement action. In addition, we may engage third parties to perform various other services for us relating to pharmacovigilance and adverse event reporting, safety database management, fulfillment of requests for medical



information regarding our product candidates and related services. If the quality or accuracy of the data maintained by these service providers is insufficient, or these third parties otherwise fail to comply with regulatory requirements, we could be subject to regulatory sanctions. Additionally, we may contract with a third party to calculate and report pricing information mandated by various government programs. If a third party fails to timely report or adjust prices as required, or errors in calculating government pricing information from transactional data in our financial records, it could impact our discount and rebate liability, and potentially subject us to regulatory sanctions or False Claims Act lawsuits.

***We rely on third parties to conduct our preclinical studies and our clinical trials. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may be unable to obtain regulatory approval for or commercialize any of our product candidates. If they do not perform satisfactorily, our business may be materially harmed.***

We do not independently conduct non-clinical studies that comply with good laboratory practice (GLP) requirements. We also do not have the ability to independently conduct clinical trials of any of our product candidates. We rely on third parties, such as CROs, clinical data management organizations, medical institutions, and clinical investigators to conduct our clinical trials of oral sulopenem and sulopenem and expect to rely on these third parties to conduct clinical trials of any potential product candidates. Any of these third parties may terminate their engagements with us at any time. If we need to enter into alternative arrangements, it would delay our product development activities.

Our reliance on these third parties for clinical development activities limits our control over these activities but we remain responsible for ensuring that each of our studies is conducted in accordance with the applicable protocol, legal, regulatory and scientific standards. For example, notwithstanding the obligations of a CRO for a clinical trial of one of our product candidates, we remain responsible for ensuring that each of our clinical trials is conducted in accordance with the general investigational plan and protocols for the clinical trial. While we will have agreements governing their activities, we control only certain aspects of their activities and have limited influence over their actual performance. The third parties with whom we contract for execution of our GLP studies and our clinical trials play a significant role in the conduct of these studies and clinical trials and the subsequent collection and analysis of data. Although we rely on these third parties to conduct our GLP-compliant non-clinical studies and clinical trials, we remain responsible for ensuring that each of our non-clinical studies and clinical trials are conducted in accordance with applicable laws and regulations, and our reliance on the CROs does not relieve us of our regulatory responsibilities. The FDA and regulatory authorities in other jurisdictions also require us to comply with standards, commonly referred to as good clinical practices (GCPs), for conducting, monitoring, recording and reporting the results of clinical trials to assure that data and reported results are accurate and that the trial subjects are adequately informed of the potential risks of participating in clinical trials. The FDA enforces these GCPs through periodic inspections of trial sponsors, principal investigators, clinical trial sites and institutional review boards. If we or our third-party contractors fail to comply with applicable GCPs, the clinical data generated in our clinical trials may be deemed unreliable and the FDA may require us to perform additional clinical trials before approving our product candidates, which would delay the regulatory approval process. We cannot assure our shareholders that, upon inspection, the FDA will determine that any of our clinical trials comply with GCPs. We are also required to register clinical trials and post the results of completed clinical trials on a government-sponsored database, ClinicalTrials.gov, within certain timeframes. Failure to do so can result in fines, adverse publicity and civil and criminal sanctions.

Furthermore, the third parties conducting clinical trials on our behalf are not our employees, and except for remedies available to us under our agreements with such contractors, we cannot control whether or not they devote sufficient time and resources to our development programs. These contractors may also have relationships with other commercial entities, including our competitors, for whom they may also be conducting clinical trials or other drug development activities, which could impede their ability to devote appropriate time to our clinical programs. If these third parties do not successfully carry out their contractual duties, meet expected deadlines or conduct our clinical trials in accordance with regulatory requirements or our stated protocols, we may not be able to obtain, or may be delayed in obtaining, marketing approvals for our product candidates. If that occurs, we may not be able to, or may be delayed in our efforts to, successfully commercialize our product candidates. In such an event, our financial results and the commercial prospects for oral sulopenem, sulopenem or other product candidates could be harmed, our costs could increase and our ability to generate revenue could be delayed, impaired or foreclosed.

We also rely on other third parties to store and distribute drug supplies for our clinical trials. Any performance failure on the part of our distributors could delay clinical development or marketing approval of our product candidates or commercialization of any resulting products, producing additional losses and depriving us of potential product revenue.

***We contract with third parties for the manufacture of preclinical and clinical supplies of oral sulopenem and sulopenem and expect to continue to do so in connection with any future clinical trials and future commercialization of our product candidates and potential product candidates. This reliance on third parties increases the risk that we will not have sufficient quantities of our product candidates or such quantities at an acceptable cost, which could delay, prevent or impair our development or commercialization efforts.***

We do not have the internal infrastructure or capability to manufacture oral sulopenem and sulopenem for use in the conduct of our preclinical research or clinical trials or for commercialization. We rely on third-party contract manufacturers to manufacture

supplies of oral sulopenem and sulopenem, and we expect to rely on third-party contract manufacturers to manufacture commercial quantities of any product candidate that we commercialize following approval for marketing by applicable regulatory authorities, if any. Reliance on third-party manufacturers entails risks, including:

- manufacturing delays if our third-party manufacturers give greater priority to the supply of other products over our product candidates or otherwise do not satisfactorily perform according to the terms of their agreement with us;
- the possible termination or nonrenewal of the agreement by the third party at a time that is costly or inconvenient for us;
- the possible breach of the manufacturing agreement by the third party;
- the failure of the third-party manufacturer to comply with applicable regulatory requirements; and
- the possible misappropriation of our proprietary information, including our trade secrets and know-how.

We currently rely on a small number of third-party contract manufacturers for all of our required raw materials, drug substance and finished product for our preclinical research and clinical trials. We do not have long-term agreements with any of these third parties. We also do not have any current contractual relationships for the manufacture of commercial supplies of any of our product candidates although negotiations are well advanced. If any of our existing manufacturers should become unavailable to us for any reason, we may incur delays in identifying or qualifying replacements.

We will enter into agreements with third-party contract manufacturers for the commercial production of oral sulopenem and/or sulopenem. This process is difficult and time consuming and we may face competition for access to manufacturing facilities as there are a limited number of contract manufacturers operating under current Good Manufacturing Practices, or cGMPs, that are capable of manufacturing our product candidates. Consequently, we may not be able to reach agreement with third-party manufacturers on satisfactory terms, which could delay our commercialization.

Third-party manufacturers are required to comply with cGMPs and similar regulatory requirements outside the United States. Facilities used by our third-party manufacturers must be approved by the FDA after we submit an NDA(s) and before potential approval of the product candidate. Similar regulations apply to manufacturers of our product candidates for use or sale in countries outside of the United States. We have no direct control over the ability of our third-party manufacturers to maintain adequate quality control, quality assurance and qualified personnel, and are completely dependent on our third-party manufacturers for compliance with the applicable regulatory requirements for the manufacture of our product candidates. If our manufacturers cannot successfully manufacture material that conforms to the strict regulatory requirements of the FDA and any applicable regulatory authority, they will not be able to secure the applicable approval for their manufacturing facilities. If these facilities are not approved for commercial manufacture, we may need to find alternative manufacturing facilities, which could result in delays in obtaining approval for the applicable product candidate. In addition, our manufacturers are subject to ongoing periodic unannounced inspections by the FDA and corresponding state and foreign agencies for compliance with cGMPs and similar regulatory requirements. Failure by any of our manufacturers to comply with applicable cGMPs or other regulatory requirements could result in sanctions being imposed on us, including fines, injunctions, civil penalties, delays, suspensions or withdrawals of approvals, operating restrictions, interruptions in supply and criminal prosecutions, any of which could significantly and adversely affect supplies of our product candidates and have a material adverse effect on our business, financial condition and results of operations.

We and our third-party suppliers also continue to refine and improve the manufacturing process, certain aspects of which are complex and unique, and we may encounter difficulties with new or existing processes, particularly as we seek to significantly increase our capacity to commercialize oral sulopenem and/or sulopenem. Our reliance on contract manufacturers also exposes us to the possibility that they, or third parties with access to their facilities, will have access to and may appropriate our trade secrets or other proprietary information.

As drug candidates are developed through non-clinical studies to late-stage clinical trials towards approval and commercialization, it is common that various aspects of the development program, such as manufacturing methods, methods of making drug formulations, and drug formulations, are altered along the way in an effort to optimize processes and results. Such changes carry the risk that they will not achieve these intended objectives. Any of these changes could cause our drug candidates to perform differently and affect the results of clinical trials or other future clinical trials conducted with the altered materials. Such changes may also require additional testing, FDA notification or FDA approval. This could delay completion of clinical trials, require us to conduct bridging clinical trials or the repetition of one or more clinical trials, increase clinical trial costs, delay approval of our drug candidates and jeopardize our ability to commence sales and generate revenue.

While no issues with regard to third-party manufacturers or the manufacturing process were identified in the CRL received from the FDA in July 2021, there can be no assurance that issues will not be identified in the future or that our third-party manufacturers will continue to maintain adequate quality control, quality assurance and qualified personnel and/or will continue to comply with the applicable regulatory requirements for the manufacture of our product candidates.

Our current and anticipated future dependence upon others for the manufacture of oral sulopenem and sulopenem and any future product candidates may adversely affect our future profit margins and our ability to commercialize any products for which we receive marketing approval on a timely and competitive basis.



## Risks Related to Our Intellectual Property

### ***We rely heavily on the Pfizer License for the patent rights and know-how required to develop and commercialize oral sulopenem and the know-how required to develop the IV formulation of sulopenem.***

We currently do not own any patents and rely heavily on the Pfizer License for intellectual property rights that are important or necessary for the development of oral sulopenem and sulopenem. We do not own or license any patent rights that cover the IV formulation of sulopenem. In addition, all patents directed to the compound sulopenem expired prior to us entering into the Pfizer License. Licenses to additional third-party intellectual property, technology and materials that may be required for the development and commercialization of our sulopenem program or any other product candidates or technology may not be available at all or on commercially reasonable terms. In that event, we may be required to expend significant time and resources to redesign our sulopenem program and any other product candidates or technology we may obtain in the future or to develop or license replacement technology, all of which may not be feasible on a technical or commercial basis. If we are unable to do so, we may be unable to develop or commercialize oral sulopenem or sulopenem or other future product candidates or technologies, which could materially harm our business, financial condition, results of operations and growth prospects.

Under the Pfizer License, and we expect under certain of our future license agreements, we are responsible for prosecution and maintenance of the licensed patents and for bringing any actions against any third party for infringing on such patents. In addition, the Pfizer License requires, and we expect certain of our future license agreements would also require, us to meet certain development thresholds to maintain the license, including establishing a set timeline for developing and commercializing products. In addition, such license agreements are complex, and certain provisions in such agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could narrow what we believe to be the scope of our rights to the relevant intellectual property or technology, or increase what we believe to be our financial or other obligations under the relevant agreement, either of which could have a material adverse effect on our business, financial condition, results of operations and growth prospects. Disputes may arise regarding intellectual property subject to the Pfizer License or any of our future license agreements, including:

- the scope of rights granted under the license agreement and other interpretation-related issues;
- the extent to which our technology and processes infringe, misappropriate or otherwise violate any intellectual property of the licensor that is not subject to the licensing agreement;
- the sublicensing of patent and other rights under the license agreement;
- our diligence obligations under the license agreement and what activities satisfy those diligence obligations;
- the inventorship and ownership of inventions and know-how resulting from the joint creation or use of intellectual property by our licensors and us and our partners; and
- the priority of invention of patented technology.

In spite of our best efforts, Pfizer and any potential future licensors might conclude that we have materially breached our license agreements and might therefore terminate the relevant license agreements, thereby removing our ability to develop and commercialize products and technology covered by such license agreements. If any of our inbound license agreements are terminated, or if the underlying patents fail to provide the intended exclusivity, competitors would have the freedom to seek regulatory approval of, and to market, products identical to ours. This could have a material adverse effect on our competitive position, business, financial condition, results of operations and growth prospects.

### ***If we are unable to obtain and maintain patent protection or other intellectual property rights for oral sulopenem or our other technology and product candidates, or if the scope of the patent protection or intellectual property rights we obtain is not sufficiently broad, we may not be able to successfully develop or commercialize oral sulopenem or any other product candidates or technology or otherwise compete effectively in our markets.***

We rely upon a combination of patents, trademarks, trade secret protection, confidentiality agreements and other proprietary rights to protect the intellectual property related to our development programs and product candidates. Our success depends, in part, on obtaining and maintaining patent protection and successfully enforcing these patents and defending them against third-party challenges in the United States and other countries. If we or our licensors are unable to obtain or maintain patent protection with respect to oral sulopenem or any other product candidates or technology we develop, our business, financial condition, results of operations and growth prospects could be materially harmed.

We have sought to protect our proprietary position by in-licensing patents in the United States and abroad related to oral sulopenem. Our patent portfolio contains two nationalized patent families, one addressing the effect of probenecid on the plasma concentrations of sulopenem after multi-day dosing and the second related to a method of preparing a bilayer tablet composed of sulopenem etzadroxil and probenecid. The patent portfolio also contains a patent family related to a combination of valproic acid, a  $\beta$ -lactam compound, and probenecid, as well as its method of use. The patent prosecution process is expensive and time-consuming, and we and our licensors may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a



timely manner or in all jurisdictions. It is also possible that we will fail to identify patentable aspects of our research and development output before it is too late to obtain patent protection. Moreover, although we control prosecution of the patents we have licensed from Pfizer related to our sulopenem program, we may not always have the right to control the preparation, filing and prosecution of patent applications, or to maintain, enforce or defend the patents, covering technology that we may license from third parties. Therefore, these patents and patent applications may not be prosecuted, maintained, enforced or defended in a manner consistent with the best interests of our business.

If any patent applications we may own or in-license in the future with respect to our development programs or product candidates fail to issue, if their breadth or strength of protection is threatened or if they fail to provide meaningful exclusivity for our current and future product candidates, it could dissuade companies from collaborating with us to develop product candidates and threaten our ability to commercialize products. Any such outcome could materially harm our competitive position, business, financial condition, results of operations and growth prospects.

The patent position of pharmaceutical companies generally is highly uncertain, involves complex legal and factual questions and has in recent years been the subject of much litigation. In addition, the laws of countries outside the United States may not protect our rights to the same extent as the laws of the United States. For example, European Union (EU) patent law restricts the patentability of methods of treatment of the human body more than U.S. law does. In addition, publications of discoveries in scientific literature often lag behind the actual discoveries, patent applications in the United States and other jurisdictions remain confidential for a period after filing, and some remain so until issued. Therefore, we cannot know with certainty whether we were the first to make the inventions claimed in the patents or pending patent applications we currently own, license or may own or license in the future, or that we were the first to file for patent protection of such inventions. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain. There is no assurance that all potentially relevant prior art relating to our patent rights has been found, and such prior art could potentially invalidate one or more of the patents we currently license or may own or license in the future or prevent a patent from issuing from one or more pending patent applications we own or may own or license in the future. There is also no assurance that prior art of which we are aware, but which we do not believe affects the validity or enforceability of a claim in our patent rights, may, nonetheless, ultimately be found to affect the validity or enforceability of a claim. Even if patents do successfully issue and even if such patents cover our current and future product candidates, third parties may challenge their ownership, validity, enforceability or scope, which may result in such patents being narrowed, invalidated or held unenforceable, which could allow third parties to commercialize our technology or products and compete directly with us, without payment to us, or result in our inability to manufacture or commercialize products without infringing third-party patent rights. Any successful opposition to these patents or any other patents owned by us in the future or licensed to us could deprive us of rights necessary for the successful commercialization of any product candidates that we may develop. Furthermore, even if they are unchallenged, our patents rights may not adequately protect our product candidates and technology, provide exclusivity for our product candidates, prevent others from designing around our claims or provide us with a competitive advantage. Any of these outcomes could impair our ability to prevent competition from third parties. Changes in either the patent laws or interpretation of the patent laws in the United States or other countries may diminish the value of our patent rights or narrow the scope of our patent protection.

We cannot offer any assurances about whether any issued patents will be found invalid and unenforceable or will be challenged by third parties. Any successful challenge or opposition to patents owned by or licensed to us could deprive us of rights necessary for the successful commercialization of any product candidates that we may develop. Further, if we encounter delays in regulatory approvals, the period of time during which we could market a product candidate under patent protection could be reduced.

Furthermore, our patent rights may be subject to a reservation of rights by one or more third parties. For example, certain research we conducted was funded in part by the U.S. government. As a result, the U.S. government may have certain march-in rights to patents and technology arising out of such research, if any. When new technologies are developed with government funding, the government generally obtains certain rights in any resulting patents, including a non-exclusive license authorizing the government to use the invention. These rights may permit the government to disclose our confidential information to third parties and to exercise march-in rights to use or allow third parties to use our licensed technology. The government can exercise its march-in rights if it determines that action is necessary because we fail to achieve practical application of the government-funded technology, to alleviate health or safety needs, to meet requirements of federal regulations or to give preference to U.S. industry. In addition, our rights in such inventions may be subject to certain requirements to manufacture products embodying such inventions in the United States. Any exercise by the government of such rights could harm our competitive position, business, financial condition, results of operations and growth prospects.

***We may not identify relevant third-party patents or may incorrectly interpret the relevance, scope or expiration of a third party patent which might adversely affect our ability to develop and market our product candidates.***

We cannot guarantee that any of our or our licensors' patent searches or analyses, including but not limited to the identification of relevant patents, the scope of patent claims or the expiration of relevant patents, are complete or thorough, nor can we be certain that we have identified each and every third-party patent and pending application in the United States and abroad that is relevant to or necessary for the commercialization of our product candidates in any jurisdiction. For example, U.S. applications filed before November 29, 2000 and certain U.S. applications filed after that date that will not be filed outside the United States remain



confidential until patents issue. Patent applications in the United States and elsewhere are published approximately 18 months after the earliest filing for which priority is claimed, with such earliest filing date being commonly referred to as the priority date. Therefore, patent applications covering our product candidates could have been filed by others without our knowledge. Additionally, pending patent applications that have been published can, subject to certain limitations, be later amended in a manner that could cover our product candidates or the use of our product candidates. The scope of a patent claim is determined by an interpretation of the law, the written disclosure in a patent and the patent's prosecution history. Our interpretation of the relevance or the scope of a patent or a pending application may be incorrect, which may negatively impact our ability to market our product candidates. We may incorrectly determine that our product candidates are not covered by a third-party patent or may incorrectly predict whether a third party's pending application will issue with claims of relevant scope. Our determination of the expiration date of any patent in the United States or abroad that we consider relevant may be incorrect, which may negatively impact our ability to develop and market our product candidates. Our failure to identify and correctly interpret relevant patents may negatively impact our ability to develop and market our product candidates.

***The patent protection for our product candidates may expire before we are able to maximize their commercial value which may subject us to increased competition and reduce or eliminate our opportunity to generate product revenue.***

Patents have a limited lifespan. In the United States, if all maintenance fees are paid timely, the natural expiration of a patent is generally 20 years from its earliest U.S. non-provisional filing date. Various extensions may be available, but the life of a patent, and the protection it affords, is limited. The patents for our product candidates have varying expiration dates and, if these patents expire, we may be subject to increased competition and we may not be able to recover our development costs. For example, our licensed U.S. patent claim for a composition of matter patent for oral sulopenem is due to expire in 2029, subject to potential extension to 2034 under the Drug Price Competition and Patent Term Restoration Act of 1984 (referred to as the Hatch-Waxman Act). Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such product candidates might expire before or shortly after such product candidates are commercialized. As a result, our patent rights may not provide us with sufficient rights to exclude others from commercializing product candidates similar or identical to ours.

The FDA designated sulopenem and oral sulopenem as QIDPs for the indications of uUTI, cUTI, cIAI, community-acquired bacterial pneumonia, acute bacterial prostatitis, gonococcal urethritis, and pelvic inflammatory disease. Fast track designation for these seven indications in both the oral and intravenous formulations has also been granted. QIDP status provides the potential for a more rapid review cycle for an NDA and could add five years to any regulatory exclusivity period that we may be granted. However, that does not guarantee that we will receive any regulatory exclusivity or that any such exclusivity will be for a period sufficient to provide us with any commercial advantage. Moreover, we do not own or license any patent directed to the compound sulopenem.

Depending upon the timing, duration and conditions of FDA marketing approval of our product candidates, one or more of the U.S. patents we currently license may be eligible for limited patent term extension under the Hatch-Waxman Act, and similar legislation in the European Union. The Hatch-Waxman Act permits a patent term extension of up to five years for a patent covering an approved product as compensation for effective patent term lost during product development and the FDA regulatory review process. A patent term extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval, only one patent may be extended and only those claims covering the approved drug, a method for using it or a method for manufacturing it may be extended. We may not receive an extension if we fail to apply within applicable deadlines, fail to apply prior to expiration of the relevant patents or otherwise fail to satisfy applicable requirements and the length of the extension could be less than we request. To the extent we wish to pursue patent term extension based on a patent that we in-license from Pfizer or another third party, we would need the cooperation of Pfizer or the third party. Moreover, similar extensions may be available in some of the larger economic territories but may not be available in all of our markets of interest.

If we are unable to obtain patent term extension/restoration or some other exclusivity, or the term of any such extension is less than we request, the period during which we can enforce our exclusive rights for that product will be shortened and our competitors may obtain approval to market competing products sooner. As a result, we could be subject to increased competition and our opportunity to establish or maintain product revenue could be substantially reduced or eliminated. Furthermore, we may not have sufficient time to recover our development costs prior to the expiration of our U.S. and non-U.S. patent rights. If this occurs, our competitors may take advantage of our investment in development and trials by referencing our clinical and preclinical data and launch their product earlier than might otherwise be the case. Any of the foregoing would materially harm our business, financial condition, results of operations and growth prospects.

***Intellectual property rights do not necessarily address all potential threats to our business.***

Once granted, patents may remain open to opposition, interference, re-examination, post-grant review, *inter partes* review, nullification or derivation action in court or before patent offices or similar proceedings for a given period after allowance or grant, during which time third parties can raise objections against such grant. In the course of such proceedings, which may continue for a protracted period of time, the patent owner may be compelled to limit the scope of the allowed or granted claims thus attacked, or may lose the allowed or granted claims altogether. In addition, the degree of future protection afforded by our intellectual property rights is



uncertain because even granted intellectual property rights have limitations, and may not adequately protect our business. The following examples are illustrative:

- others may be able to make compounds or formulations that are similar to oral sulopenem and sulopenem compounds or formulations but that are not covered by the claims of our patent rights;
- the patents of third parties may have an adverse effect on our business;
- we or our licensors or any future strategic partners might not have been the first to conceive or reduce to practice the inventions covered by the issued patents that we own or have exclusively licensed;
- we or our licensors or any future strategic partners might not have been the first to file patent applications covering certain of our inventions;
- others may independently develop similar or alternative technologies or duplicate any of our technologies without infringing our intellectual property rights;
- it is possible our pending patent applications, and any future patent applications, will not lead to issued patents or afford meaningful protection for our product candidates;
- issued patents that we may own in the future or have exclusively licensed may not provide us with any competitive advantage, or may be held invalid or unenforceable, as a result of legal challenges by our competitors;
- our competitors might conduct research and development activities in countries where we do not have patent rights and then use the information learned from such activities to develop competitive products for sale in our major commercial markets;
- third parties performing manufacturing or testing for us using our product candidates or technologies could use the intellectual property of others without obtaining a proper license; and
- we may not develop additional proprietary technologies that are patentable.

Should any of these events occur, they could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

***Changes in patent laws or patent jurisprudence could diminish the value of patents in general, thereby impairing our ability to protect our product candidates.***

As is the case with other pharmaceutical companies, our success is heavily dependent on intellectual property, particularly patents. Obtaining and enforcing patents in the pharmaceutical industry involves both technological complexity and legal complexity. Therefore, obtaining and enforcing pharmaceutical patents is costly, time-consuming and inherently uncertain. In addition, the America Invents Act (the AIA) was signed into law on September 16, 2011, and many of its substantive changes became effective on March 16, 2013.

An important change introduced by the AIA is that, as of March 16, 2013, the United States transitioned to a “first-to-file” system for deciding which party should be granted a patent when two or more patent applications are filed by different parties claiming the same invention. A third party that files a patent application in the U.S. Patent and Trademark Office (USPTO) after that date but before us could therefore be awarded a patent covering an invention of ours even if we had made the invention before it was made by the third party. This will require us to be cognizant going forward of the time from invention to filing of a patent application, but circumstances could prevent us from promptly filing patent applications on our inventions.

Among some of the other changes introduced by the AIA are changes that limit where a patentee may file a patent infringement suit and providing opportunities for third parties to challenge any issued patent in the USPTO, including through post-issuance patent review procedures such as *inter partes* review, post-grant review and covered business methods. This applies to all U.S. patents, including those issued before March 16, 2013. Because of a lower evidentiary standard in USPTO proceedings compared to the evidentiary standard in United States federal courts necessary to invalidate a patent claim, a third party could potentially provide evidence in a USPTO proceeding sufficient for the USPTO to hold a claim invalid even though the same evidence would be insufficient to invalidate the claim if first presented in a district court action. Accordingly, a third party may attempt to use the USPTO procedures to invalidate our patent claims that would not have been invalidated if first challenged by the third party as a defendant in a district court action. The AIA and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents.

In the last few years, the USPTO has developed regulations and procedures to govern administration of the AIA, and many of the substantive changes to patent law associated with the AIA, in particular, the first to file provisions only became effective on March 16, 2013. Accordingly, it is not clear what, if any, impact the AIA will have on the operation of our business and this may not be known until such time as we, or our licensors or collaboration partners, are filing patent applications for an invention or seeking to defend issued patents. However, the AIA and its implementation could increase the uncertainties and costs surrounding the

prosecution of our or our licensors' or collaboration partners' patent applications and the enforcement or defense of our or our licensors' or collaboration partners' issued patents, all of which could have an adverse effect on our business and financial condition.

Moreover, the standards that the USPTO and foreign patent office's use to grant patents are not always applied predictably or uniformly and can change. Consequently, any patents we currently license or may own or license in the future may have a shorter patent term than expected or may not contain claims that will permit us to stop competitors from using our technology or similar technology or from copying our products. Similarly, the standards that courts use to interpret patents are not always applied predictably or uniformly and may evolve, particularly as new technologies develop. In addition, changes to patent laws in the United States or other countries may be applied retroactively to affect the ownership, validity, enforceability or term of patents we currently license or may own or license in the future.

For example, the U.S. Supreme Court's rulings on several patent cases in recent years, such as *Association for Molecular Pathology v. Myriad Genetics, Inc.*, *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, and *Alice Corporation Pty. Ltd. v. CLS Bank International*, either narrow the scope of patent protection available in certain circumstances or weaken the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents, once obtained. Depending on decisions by the U.S. Congress, the federal courts and the USPTO, the laws and regulations governing patents could change in unpredictable ways that could weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future. Similarly, the complexity and uncertainty of European patent laws has also increased in recent years. In addition, the European patent system is relatively stringent in the type of amendments that are allowed during prosecution. These changes could limit our ability to obtain new patents in the future that may be important for our business.

***We may become involved in lawsuits to protect or enforce our patents or other intellectual property, which could be expensive, time consuming and unsuccessful.***

Competitors may infringe, misappropriate or otherwise violate our patents, trademarks, copyrights or other intellectual property or those of our licensors. To counter infringement, misappropriation, unauthorized use or other violations, we may be required to file legal claims, which can be expensive and time consuming and divert the time and attention of our management and scientific personnel. We may not be able to prevent, alone or with our licensors, infringement, misappropriation or other violations of our intellectual property rights, particularly in countries where the laws may not protect those rights as fully as in the United States. Any claims we assert against perceived infringers could provoke these parties to assert counterclaims against us alleging that we infringe their patents. In addition, in a patent infringement proceeding, there is a risk that a court will decide that a patent of ours is invalid or unenforceable, in whole or in part, and that we do not have the right to stop the other party from using the invention at issue. There is also a risk that, even if the validity of such patents is upheld, the court will construe the patent's claims narrowly or decide that we do not have the right to stop the other party from using the invention at issue on the grounds that our patents do not cover the invention. An adverse outcome in a litigation or proceeding involving our patents could limit our ability to assert our patents against those parties or other competitors, and may curtail or preclude our ability to exclude third parties from making and selling similar or competitive products. Any of these occurrences could adversely affect our competitive business position, business prospects and financial condition. Similarly, if we assert trademark infringement claims, a court may determine that the marks we have asserted are invalid or unenforceable, or that the party against whom we have asserted trademark infringement has superior rights to the marks in question. In this case, we could ultimately be forced to cease use of such trademarks.

In any infringement, misappropriation or other intellectual property litigation, any award of monetary damages we receive may not be commercially valuable. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during litigation. Moreover, there can be no assurance that we will have sufficient financial or other resources to file and pursue such infringement claims, which typically last for years before they are concluded. Even if we ultimately prevail in such claims, the monetary cost of such litigation and the diversion of the attention of our management and scientific personnel could outweigh any benefit we receive as a result of the proceedings.

***Third parties may initiate legal proceedings alleging that we are infringing, misappropriating or otherwise violating their intellectual property rights, the outcome of which would be uncertain and could have a negative impact on the success of our business.***

Our commercial success depends, in part, upon our ability, and the ability of our future collaborators, to develop, manufacture, market and sell oral sulopenem, sulopenem and any future product candidates, if approved, and use our proprietary technologies without alleged or actual infringement, misappropriation or other violation of the patents and other intellectual property rights of third parties. There have been many lawsuits and other proceedings involving patent and other intellectual property rights in the biotechnology and pharmaceutical industries, including patent infringement lawsuits, interferences, oppositions and reexamination proceedings before the USPTO and corresponding foreign patent offices. Numerous U.S. and foreign issued patents and pending patent applications, which are owned by third parties, exist in the fields in which we are developing product candidates. Some claimants may have substantially greater resources than we do and may be able to sustain the

costs of complex intellectual property litigation to a greater degree and for longer periods of time than we could. In addition, patent holding companies that focus solely on

extracting royalties and settlements by enforcing patent rights may target us. As the biotechnology and pharmaceutical industries expand and more patents are issued, the risk increases that our product candidates may be subject to claims of infringement of the intellectual property rights of third parties.

We may in the future become party to, or be threatened with, adversarial proceedings or litigation regarding intellectual property rights with respect to oral sulopenem, sulopenem or any future product candidates and technology, including interference or derivation proceedings, post grant review and *inter partes* review before the USPTO or similar adversarial proceedings or litigation in other jurisdictions. Similarly, we or our licensors or collaborators may initiate such proceedings or litigation against third parties, e.g., to challenge the validity or scope of intellectual property rights controlled by third parties. In order to successfully challenge the validity of any U.S. patent in federal court, we would need to overcome a presumption of validity. As this burden is a high one requiring us to present clear and convincing evidence as to the invalidity of any such U.S. patent claim, there is no assurance that a court would invalidate the claims of any such U.S. patent. Moreover, third parties may assert infringement claims against us based on existing patents or patents that may be granted in the future, regardless of their merit. There is a risk that third parties may choose to engage in litigation with us to enforce or to otherwise assert their patent rights against us. Even if we believe such claims are without merit, a court of competent jurisdiction could hold that these third-party patents are valid, enforceable and infringed, and the holders of any such patents may be able to block our ability to commercialize such product candidate unless we obtained a license under the applicable patents, or until such patents expire or are finally determined to be invalid or unenforceable. Similarly, if any third-party patents were held by a court of competent jurisdiction to cover aspects of our compositions, formulations, or methods of treatment, prevention or use, the holders of any such patents may be able to block our ability to develop and commercialize the applicable product candidate unless we obtained a license or until such patent expires or is finally determined to be invalid or unenforceable. In either case, such a license may not be available on commercially reasonable terms, or at all. Even if we were able to obtain a license, it could be nonexclusive, thereby giving our competitors access to the same technologies licensed to us. Furthermore, even in the absence of litigation, we may need to obtain licenses from third parties to advance our research. We may fail to obtain any of these licenses at a reasonable cost or on reasonable terms, if at all. In such an event, we would be unable to further practice our technologies or develop and commercialize any of our product candidates at issue, which could harm our business significantly.

Parties making claims against us may obtain injunctive or other equitable relief, which could effectively block our ability to further develop and commercialize one or more of our product candidates, if approved. Defense of these claims, regardless of their merit, would involve substantial litigation expense and would be a substantial diversion of management and employee time and resources from our business. Third parties making such claims may have the ability to dedicate substantially greater resources to these legal actions than we or our licensors or collaborators can. In the event of a successful claim of infringement, misappropriation or other violation against us, we may have to pay substantial damages, including treble damages and attorneys' fees for willful infringement, pay royalties, redesign our infringing products or obtain one or more licenses from third parties, which may be impossible or require substantial time and monetary expenditure.

There has been substantial litigation and other proceedings regarding patent and other intellectual property rights in the pharmaceutical and biotechnology industries. In addition to infringement claims against us, we may become a party to other patent litigation and other adversarial proceedings such as proceedings before the Patent Trial and Appeal Board and opposition proceedings in the European Patent Office regarding intellectual property rights with respect to our products and technology.

Patent litigation and other proceedings may also absorb significant management time. The cost to us of any patent litigation or other proceeding, even if resolved in our favor, could be substantial. During the course of any patent or other intellectual property litigation or other proceeding, there could be public announcements of the results of hearings, rulings on motions, and other interim proceedings or developments and if securities analysts or investors regard these announcements as negative, the perceived value of our product candidates or intellectual property could be diminished. Accordingly, the market price of our ordinary shares may decline. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on our business, ability to compete in the marketplace, financial condition, results of operations and growth prospects.

***We may not be able to protect our intellectual property rights globally, which could negatively impact our business.***

Filing, prosecuting and defending patents covering oral sulopenem, sulopenem and any future product candidates globally would be prohibitively expensive, and our intellectual property rights in some countries outside the United States can be less extensive than those in the United States. In addition, the laws of some countries do not protect intellectual property rights to the same extent as federal and state laws in the United States. Further, licensing partners may not prosecute patents in certain jurisdictions in which we may obtain commercial rights, thereby precluding the possibility of later obtaining patent protection in these countries. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the United States, or from selling or importing products made using our inventions in and into the United States or other jurisdictions. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and may also export infringing products to territories where we have patent protection, but enforcement is not as strong as that in the United States. These products may compete with our product candidates, and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of

patents,

trade secrets and other intellectual property protection, particularly those relating to biotechnology products, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce our patent rights in foreign jurisdictions, whether or not successful, could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly and any current or future patent applications at risk of not issuing, and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license. Furthermore, while we intend to protect our intellectual property rights in our expected significant markets, we cannot ensure that we will be able to initiate or maintain similar efforts in all jurisdictions in which we may wish to market our product candidates. Accordingly, our efforts to protect our intellectual property rights in such countries may be inadequate, which may have an adverse effect on our ability to successfully commercialize our product candidates in all of our expected significant foreign markets.

Additionally, the requirements for patentability may differ in certain countries, particularly developing countries. For example, unlike other countries, China has a heightened requirement for patentability, and specifically requires a detailed description of medical uses of a claimed drug. In India, unlike the United States, there is no link between regulatory approval of a drug and its patent status. Furthermore, generic or biosimilar drug manufacturers or other competitors may challenge the scope, validity or enforceability of our or our licensors' patents, requiring us or our licensors to engage in complex, lengthy and costly litigation or other proceedings. Generic or biosimilar drug manufacturers may develop, seek approval for, and launch biosimilar versions of our products. In addition, certain countries in Europe and developing countries, including China and India, have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties. In those countries, we and our licensors may have limited remedies if patents are infringed or if we or our licensors are compelled to grant a license to a third party, which could materially diminish the value of those patents. This could limit our potential revenue opportunities. Accordingly, our and our licensors' efforts to enforce intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we own or license.

***We may be subject to claims that we or our employees, consultants, contractors or advisors have infringed, misappropriated or otherwise violated the intellectual property of a third party, or claiming ownership of what we regard as our own intellectual property.***

Many of our employees were previously employed at universities or other biotechnology or pharmaceutical companies, including our competitors or potential competitors. Although we try to ensure that our employees do not use the intellectual property and other proprietary information, know-how or trade secrets of others in their work for us, we may be subject to claims that we or these employees have used or disclosed such intellectual property or other proprietary information. Litigation may be necessary to defend against these claims.

In addition, we may in the future be subject to claims that former employees, collaborators or other third parties have an interest in our patents or other intellectual property as an inventor or co-inventor. While we typically require our employees, consultants and contractors who may be involved in the development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who in fact develops intellectual property that we regard as our own. To the extent that we fail to obtain such assignments, such assignments do not contain a self-executing assignment of intellectual property rights or such assignments are breached, we may be forced to bring claims against third parties, or defend claims they may bring against us, to determine the ownership of what we regard as our intellectual property. If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Such intellectual property rights could be awarded to a third party, and we could be required to obtain a license from such third party to commercialize our technology or products. Such a license may not be available on commercially reasonable terms or at all. Even if we are successful in prosecuting or defending against such claims, litigation could result in substantial costs and be a distraction to our management and scientific personnel.

***Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.***

Periodic maintenance and annuity fees on any issued patent are due to be paid to the USPTO and foreign patent agencies in several stages over the lifetime of the patent. The USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. While an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which non-compliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Non-compliance events that could result in abandonment or lapse of a patent or a patent application include failure to respond to official actions within prescribed time limits, non-payment of fees and failure to

properly legalize and submit formal documents. If we or our licensors fail to maintain the patents covering our products, our competitors might be able to enter the market, which would have a material adverse effect on our business, financial condition, results of operations and growth prospects.

***If we are unable to protect the confidentiality of our trade secrets, the value of our technology could be materially adversely affected and our business would be harmed.***

In addition to seeking patents for some of our technology and products, we also rely on trade secrets, including unpatented know-how, technology and other proprietary information, in seeking to develop and maintain a competitive position. We seek to protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements with parties who have access to them, such as our employees, consultants, independent contractors, advisors, corporate collaborators, outside scientific collaborators, contract manufacturers, suppliers and other third parties. We, as well as our licensors, also enter into confidentiality and invention or patent assignment agreements with employees and certain consultants. We also seek to preserve the integrity and confidentiality of our data, trade secrets and know-how by maintaining physical security of our premises and physical and electronic security of our information technology systems. Monitoring unauthorized uses and disclosures is difficult, and we do not know whether the steps we have taken to protect our proprietary technologies will be effective. We cannot guarantee that our trade secrets and other proprietary and confidential information will not be disclosed or that competitors will not otherwise gain access to our trade secrets. Any party with whom we have executed such an agreement may breach that agreement and disclose our proprietary information, including our trade secrets, and we may not be able to obtain adequate remedies for such breaches. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive and time consuming and the outcome is unpredictable. In addition, some courts both within and outside the United States may be less willing or unwilling to protect trade secrets. Further, if any of our trade secrets were to be lawfully obtained or independently developed by a competitor, we would have no right to prevent such third party, or those to whom they communicate such technology or information, from using that technology or information to compete with us. If any of our trade secrets were to be disclosed to or independently developed by a competitor, our business and competitive position could be harmed.

Trade secrets and know-how can be difficult to protect as trade secrets and know-how will over time be disseminated within the industry through independent development, the publication of journal articles, and the movement of personnel skilled in the art from company to company or academic to industry scientific positions. If we fail to prevent material disclosure of the know-how, trade secrets and other intellectual property related to our technologies to third parties, we will not be able to establish or maintain a competitive advantage in our market, which could materially adversely affect our business, results of operations and financial condition. Even if we are able to adequately protect our trade secrets and proprietary information, our trade secrets could otherwise become known or could be independently discovered by our competitors. For example, competitors could purchase our products and attempt to replicate some or all of the competitive advantages we derive from our development efforts, design around our protected technology or develop their own competitive technologies that fall outside of our intellectual property rights. If any of our trade secrets were to be lawfully obtained or independently developed by a competitor, in the absence of patent protection, we would have no right to prevent them, or those to whom they communicate, from using that technology or information to compete with us.

We may not be able to prevent misappropriation of our intellectual property, trade secrets or confidential information, particularly in countries where the laws may not protect those rights as fully as in the United States. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation.

***We have not yet registered our trademarks in certain jurisdictions. Failure to secure those registrations could adversely affect our business.***

We have registered trademarks for “Iterum” in the United States, European Union, Japan, Switzerland and Canada. If we are unable to secure registrations for our trademarks in other countries, we may encounter more difficulty in enforcing them against third parties than we otherwise would, which could adversely affect our business. We are in the process of registering trademarks for our product candidates in the United States, Europe and Canada. Any trademark applications we have filed for our product candidates or may file in the future are not guaranteed to be allowed for registration, and even if they are, we may fail to maintain or enforce such registered trademarks. During trademark registration proceedings in the United States, Europe, Canada and other jurisdictions, we may receive rejections. We are given an opportunity to respond to those rejections, but we may not be able to overcome such rejections. In addition, in the USPTO and in comparable agencies in many other jurisdictions, third parties are given an opportunity to oppose pending trademark applications and to seek to cancel registered trademarks. Opposition or cancellation proceedings may be filed against our trademarks, and our trademarks may not survive such proceedings.

In addition, any proprietary name we propose to use with oral sulopenem, sulopenem or any other product candidate in the United States must be approved by the FDA, and in Europe by the EMA, regardless of whether we have registered it, or applied to register it, as a trademark. The FDA and the EMA each typically conduct a review of proposed product names, including an evaluation

of potential for confusion with other product names. We had submitted our proposed proprietary name for oral sulopenem in connection with our NDA for oral sulopenem and we received conditional acceptance from the FDA. However, as provided in the CRL received in July 2021, we will be required to resubmit the proposed proprietary name when we respond to the application deficiencies and as such, there is no guarantee that the FDA will conclude that the proprietary name continues to be acceptable when resubmitted. If the FDA objects to our proposed proprietary product name, we may be required to expend significant additional resources in an effort to identify a suitable proprietary product name that would qualify under applicable trademark laws, not infringe, misappropriate or otherwise violate the existing rights of third parties and be acceptable to the FDA.

Over the long term, if we are unable to establish name recognition based on our trademarks and trade names, then we may not be able to compete effectively and our business may be adversely affected. Our efforts to enforce or protect our proprietary rights related to trademarks, trade secrets, domain names, copyrights or other intellectual property may be ineffective and could result in substantial costs and diversion of resources and could adversely impact our business, financial condition, results of operations and growth prospects.

### **Risks Related to Regulatory Approval and Other Legal Compliance Matters**

***If we are not able to obtain, or if there are delays in obtaining, required regulatory approvals, we will not be able to commercialize oral sulopenem, sulopenem or other future product candidates, and our ability to generate revenue will be materially impaired.***

Our product candidates, oral sulopenem and sulopenem, and the activities associated with their development and commercialization, including their design, testing, manufacture, safety, efficacy, recordkeeping, labeling, storage, approval, advertising, promotion, sale and distribution, are subject to comprehensive regulation by the FDA and other regulatory agencies in the United States and by comparable foreign regulatory authorities, with regulations differing from country to country. Failure to obtain marketing approval for a product candidate will prevent us from commercializing the product candidate. We currently do not have any products approved for sale in any jurisdiction. We have only limited experience in filing and supporting the applications necessary to gain marketing approvals and expect to rely on third-party CROs to assist us in this process.

Although we have QIDP status and fast track designation for sulopenem and oral sulopenem for the indications of uUTI, cUTI and cIAI (and for the indications of community-acquired bacterial pneumonia, acute bacterial prostatitis, gonococcal urethritis, and pelvic inflammatory disease) which may provide for a more rapid NDA review cycle, the time required to obtain approval, if any, by the FDA and comparable foreign authorities is unpredictable and typically takes many years following the commencement of clinical trials and depends upon numerous factors, including the substantial discretion of the regulatory authorities. In addition, the COVID-19 pandemic could impact the FDA's regulatory review process, including delays in meetings related to planned or completed clinical trials and ultimately the review and approval of our product candidates. Approval policies, regulations, or the type and amount of clinical data necessary to gain approval may also change during the course of a product candidate's clinical development and may vary among jurisdictions. We have not obtained regulatory approval for any product candidate and it is possible that we will not be able to obtain regulatory approval for sulopenem or any product candidates or other indications that we may seek to develop in the future will ever obtain regulatory approval. Neither we nor any future collaborator is permitted to market any of our product candidates in the United States until we or they receive regulatory approval of an NDA(s) from the FDA.

In order to obtain approval to commercialize a product candidate in the United States or abroad, we or our collaborators must demonstrate to the satisfaction of the FDA or foreign regulatory agencies, that such product candidates are safe and effective for their intended uses. Results from non-clinical studies and clinical trials can be interpreted in different ways. Even if we believe that the non-clinical or clinical data for our product candidates are promising, such data may not be sufficient to support approval by the FDA and other regulatory authorities. Although we conducted our Phase 3 clinical trials pursuant to SPA agreements, met with the FDA at a pre-NDA meeting and had our NDA application accepted for review by the FDA in January 2021, we received a CRL from the FDA on July 23, 2021 in respect of our NDA. The CRL provided that the FDA had completed its review of the NDA and had determined that it could not approve the NDA in its present form. The CRL further provided that additional data are necessary to support approval of oral sulopenem for the treatment of adult women with uUTIs caused by designated susceptible microorganisms proven or strongly suspected to be non-susceptible to a quinolone and recommended that we conduct at least one additional adequate and well-controlled clinical trial, potentially using a different comparator drug. Additionally, the FDA recommended that we conduct further non-clinical investigation to determine the optimal dosing regimen, although the FDA stated that this recommendation does not raise an approvability issue. There can be no assurance that we will be in a position to resolve the matters set forth in the CRL, that we will be able to design, initiate and complete the future clinical trial and potential non-clinical studies intended to support a resubmission of our NDA or that any data generated by future clinical and potential non-clinical investigation will be adequate to support resubmission or approval of our NDA.

An NDA must include extensive preclinical and clinical data and supporting information to establish the product candidate's safety and efficacy for each desired indication. The NDA must also include significant information regarding the CMC for the product candidate. Obtaining approval of an NDA is a lengthy, expensive and uncertain process. The FDA has substantial discretion in the review and approval process and may refuse to accept for filing any application or may decide that our data is insufficient for approval and require additional non-clinical, clinical or other studies. Foreign regulatory authorities have differing requirements for approval of drugs with which we must comply prior to marketing. Obtaining marketing approval for marketing of

a product candidate in one country does not ensure that we will be able to obtain marketing approval in other countries, but the failure to obtain marketing

approval in one jurisdiction could negatively affect our ability to obtain marketing approval in other jurisdictions. The FDA or any foreign regulatory body can delay, limit or deny approval of our product candidates or require us to conduct additional non-clinical or clinical testing or abandon a program for many reasons, including:

- the FDA or the applicable foreign regulatory agency's disagreement with the design or implementation of our clinical trials, such as the FDA stating in its CRL from July 2021 that additional data are necessary to support approval of oral sulopenem;
- negative or ambiguous results from our clinical trials or results that may not meet the level of statistical significance required by the FDA or comparable foreign regulatory agencies for approval;
- serious and unexpected drug-related side effects experienced by participants in our clinical trials or by individuals using drugs similar to our product candidates;
- our inability to demonstrate to the satisfaction of the FDA or the applicable foreign regulatory body that our product candidates are safe and effective for the proposed indication(s);
- the FDA's or the applicable foreign regulatory agency's disagreement with the interpretation of data from non-clinical studies or clinical trials;
- our inability to demonstrate the clinical and other benefits of our product candidates outweigh any safety or other perceived risks;
- the FDA's or the applicable foreign regulatory agency's requirement for additional non-clinical studies or clinical trials, such as the FDA's request for additional clinical trial work in its CRL from July 2021;
- the FDA's or the applicable foreign regulatory agency's disagreement regarding the formulation, labeling and/or the specifications for our product candidates; or
- the potential for approval policies or regulations of the FDA or the applicable foreign regulatory agencies to significantly change in a manner rendering our clinical data insufficient for approval.

Of the large number of drugs in development, only a small percentage complete the FDA or foreign regulatory approval processes and are successfully commercialized. The lengthy review process as well as the unpredictability of future clinical trial results may result in our failing to obtain regulatory approval, which would significantly harm our business, financial condition, results of operations and growth prospects.

Even if we eventually receive approval of an NDA or foreign marketing application for our product candidates, the FDA or the applicable foreign regulatory agency may grant approval contingent on the performance of costly additional clinical trials, often referred to as Phase 4 clinical trials, and the FDA may require the implementation of a REMS, which may be required to ensure safe use of the drug after approval. The FDA or the applicable regulatory agency also may approve a product candidate for a more limited indication or patient population than we originally requested, and the FDA or applicable foreign regulatory agency may not approve the labeling that we believe is necessary or desirable for the successful commercialization of a product candidate. Any delay in obtaining, or inability to obtain, applicable regulatory approval would delay or prevent commercialization of that product candidate and would materially adversely impact our business and prospects.

***Disruptions in the FDA and other government agencies caused by funding shortages or global health concerns could hinder their ability to hire and retain key leadership and other personnel, or otherwise prevent new products and services from being developed or commercialized in a timely manner, which could negatively impact our business.***

The ability of the FDA to review and approve new products can be affected by a variety of factors, including government budget and funding levels, ability to hire and retain key personnel and accept the payment of user fees, and statutory, regulatory, and policy changes and other events that may otherwise affect the FDA's ability to perform routine functions. Average review times at the agency have fluctuated in recent years as a result. In addition, government funding of other government agencies that fund research and development activities is subject to the political process, which is inherently fluid and unpredictable.

Disruptions at the FDA and other agencies may also slow the time necessary for new drugs to be reviewed or approved by necessary government agencies, which would adversely affect our business. For example, over the last several years, including for 35 days beginning on December 22, 2018, the U.S. government has shut down several times and certain regulatory agencies, such as the FDA, have had to furlough critical employees and stop critical activities. If a prolonged government shutdown occurs, it could significantly impact the ability of the FDA to timely review and process our regulatory submissions, which could have a material adverse effect on our business.

Separately, in response to the COVID-19 pandemic, since March 2020 when foreign and domestic inspections of facilities were largely placed on hold, the FDA has been working to resume routine surveillance, bioresearch monitoring and pre-approval inspections on a prioritized basis. The FDA has developed a rating system to assist in determining when and where it is safest to conduct prioritized domestic inspections. As of May 2021, certain inspections, such as foreign preapproval, surveillance, and for-cause inspections that are not deemed mission-critical, remain temporarily postponed. In April 2021, the FDA issued guidance for industry formally announcing plans to employ remote interactive evaluations, using risk management methods, to meet user fee



commitments and goal dates and in May 2021 announced plans to continue progress toward resuming standard operational levels. Should the FDA determine that an inspection is necessary for approval and an inspection cannot be completed during the review cycle due to restrictions on travel, and the FDA does not determine a remote interactive evaluation to be adequate, the FDA has stated that it generally intends to issue a complete response letter or defer action on the application until an inspection can be completed. In 2020 and 2021, a number of companies announced receipt of complete response letters due to the FDA's inability to complete required inspections for their applications. As of May 26, 2021, the FDA noted it was continuing to ensure timely reviews of applications for medical products during the ongoing COVID-19 pandemic in line with its user fee performance goals and conducting mission critical domestic and foreign inspections to ensure compliance of manufacturing facilities with FDA quality standards. However, the FDA may not be able to continue its current pace and review timelines could be extended, including where a pre-approval inspection or an inspection of clinical sites is required and due to the ongoing COVID-19 pandemic and travel restrictions, the FDA is unable to complete such required inspections during the review period. Regulatory authorities outside the U.S. may adopt similar restrictions or other policy measures in response to the COVID-19 pandemic and may experience delays in their regulatory activities. If a prolonged government shutdown or other disruption occurs, it could significantly impact the ability of the FDA to timely review and process our regulatory submissions, which could have a material adverse effect on our business. Future shutdowns or other disruptions could also affect other government agencies such as the SEC, which may also impact our business by delaying review of our public filings, to the extent such review is necessary, and our ability to access the public markets.

Regulatory authorities outside the United States may also impose similar restrictions or other policy measures in response to the COVID-19 pandemic. If a prolonged government shutdown occurs, or if global health concerns continue to prevent the FDA or other regulatory authorities from conducting their regular inspections, reviews, or other regulatory activities, it could significantly impact the ability of the FDA or other regulatory authorities to timely review and process our regulatory submissions, which could have a material adverse effect on our business.

***If we are unable to obtain marketing approval in jurisdictions outside the United States, we will not be able to market our product candidates outside of the United States.***

In order to market and sell oral sulopenem, sulopenem or our other future product candidates in the European Union and many other jurisdictions, we must obtain separate marketing approvals and comply with numerous and varying regulatory requirements. Approval by the FDA does not ensure approval by regulatory authorities in other countries or jurisdictions, and approval by one regulatory authority outside the United States does not ensure approval by regulatory authorities in other countries or jurisdictions or by the FDA. The approval procedure varies among countries and can involve additional testing. In addition, clinical trials conducted in one country may not be accepted by regulatory authorities in other countries. The time required to obtain approval may differ substantially from that required to obtain FDA approval. The regulatory approval process outside the United States generally includes all of the risks associated with obtaining FDA approval. In addition, in many countries outside the United States, it is required that the product be approved for reimbursement before the product can be approved for sale in that country. We may not obtain approvals from regulatory authorities outside the United States on a timely basis or at all.

For example, we obtained scientific advice from the EMA for each of the Phase 3 clinical trials in the uUTI, cUTI and cIAI indications, as well as to gain alignment on non-clinical supportive information required for EMA submission. We are not in alignment with regard to the comparator agent selected for the cUTI clinical trial and are considering other options to accommodate a European filing for this indication. The EMA may request that we conduct one or more additional clinical trials or non-clinical studies to support potential approval for oral sulopenem and sulopenem for the cUTI indication. We cannot predict how the EMA will interpret the data and results from our Phase 3 clinical trial and other elements of our development program, or whether oral sulopenem or sulopenem will receive any regulatory approvals in the European Union.

We are currently evaluating our commercialization strategy in the United States and other territories. We believe that in addition to the United States, Europe represents a significant market opportunity because of rising rates of extended spectrum  $\beta$ -lactamases (ESBL) resistance.

On June 23, 2016, the electorate in the United Kingdom voted in favor of leaving the European Union, commonly referred to as Brexit. Following protracted negotiations, the United Kingdom left the European Union on January 31, 2020 and a transition period to December 31, 2020, was established to allow the United Kingdom and the European Union to negotiate the United Kingdom's withdrawal. As a result, effective January 1, 2021, the United Kingdom is no longer part of the European Single Market and European Union Customs Union. A co-operation agreement was signed between the United Kingdom and the European Union in December 2020 which has been applied provisionally since January 1, 2021 until it is ratified by all parties to that agreement. The agreement addresses trade, economic arrangements, law enforcement, judicial cooperation and a governance framework including procedures for dispute resolution, among other things. As both parties continue to work on the rules for implementation, significant political and economic uncertainty remains about how the precise terms of the relationship between the parties will differ from the terms before withdrawal.

Since the regulatory framework for pharmaceutical products in the United Kingdom covering the quality, safety, and efficacy of pharmaceutical products, clinical trials, marketing authorization, commercial sales, and distribution of pharmaceutical products is derived from European Union directives and regulations, the consequences of Brexit and the impact the future regulatory regime that



applies to products and the approval of product candidates in the United Kingdom remains unclear. As of January 1, 2021, the Medicines and Healthcare products Regulatory Agency, or the MHRA, became responsible for supervising medicines and medical devices in Great Britain, comprising England, Scotland and Wales under domestic law, whereas Northern Ireland will continue to be subject to European Union rules under the Northern Ireland Protocol. The MHRA will rely on the Human Medicines Regulations 2012 (SI 2012/1916) (as amended), or the HMR, as the basis for regulating medicines. The HMR has incorporated into the domestic law of the body of European Union law instruments governing medicinal products that pre-existed prior to the United Kingdom's withdrawal from the European Union. Any delay in obtaining, or an inability to obtain, any marketing approvals, as a result of Brexit or otherwise, may force us to restrict or delay efforts to seek regulatory approval in the United Kingdom for our product candidates, which could significantly and materially harm our business.

***If we receive regulatory approval for any product candidate, we will be subject to ongoing obligations and continuing regulatory review, which may result in significant additional expense. Our product candidates, including oral sulopenem and sulopenem, if approved, could be subject to restrictions or withdrawal from the market, and we may be subject to penalties if we fail to comply with regulatory requirements or if we experience unanticipated problems with our product candidates, when and if approved.***

Any product candidate, including oral sulopenem and sulopenem, for which we obtain marketing approval will also be subject to ongoing regulatory requirements for labeling, packaging, storage, distribution, advertising, promotion, record-keeping and submission of safety and other post marketing information. For example, approved products, manufacturers and manufacturers' facilities are required to comply with extensive FDA requirements, including ensuring that quality control and manufacturing procedures conform to cGMPs. As such, we and our contract manufacturers will be subject to continual review and periodic inspections to assess compliance with cGMPs. Accordingly, we and others with whom we work must continue to expend time, money and effort in all areas of regulatory compliance, including manufacturing, production and quality control. We will also be required to report certain adverse reactions and production problems, if any, to the FDA and to comply with requirements concerning advertising and promotion for our products.

In addition, even if marketing approval of a product candidate is granted, the approval may be subject to limitations on the indicated uses for which the product may be marketed, may be subject to significant conditions of approval or may impose requirements for costly post-marketing testing and surveillance to monitor the safety or efficacy of the product. The FDA may also require a REMS as a condition of approval of our product candidates, which could include requirements for a medication guide, physician communication plans or additional elements to ensure safe use, such as restricted distribution methods, patient registries and other risk minimization tools. The FDA closely regulates the post-approval marketing and promotion of drugs to ensure that drugs are marketed only for the approved indications and in accordance with the provisions of the approved labelling and regulatory requirements. The FDA also imposes stringent restrictions on manufacturers' communications regarding off-label use and if we do not restrict the marketing of our products only to their approved indications, we may be subject to enforcement action for off-label marketing.

If a regulatory agency discovers previously unknown problems with a product, such as adverse events of unanticipated severity or frequency, or problems with the facility where the product is manufactured, or disagrees with the promotion, marketing or labeling of a product, it may impose restrictions on that product or us. In addition, if any product fails to comply with applicable regulatory requirements, a regulatory agency may:

- issue fines, warning letters, untitled letters or impose holds on clinical trials if any are still ongoing;
- mandate modifications to promotional materials or require provision of corrective information to healthcare practitioners;
- impose restrictions on the product or its manufacturers or manufacturing processes;
- impose restrictions on the labeling or marketing of the product;
- impose restrictions on product distribution or use;
- require post-marketing clinical trials;
- require withdrawal of the product from the market;
- refuse to approve pending applications or supplements to approved applications that we submit;
- require recall of the product;
- require entry into a consent decree, which can include imposition of various fines (including restitution or disgorgement of profits or revenue), reimbursements for inspection costs, required due dates for specific actions and penalties for non-compliance;
- suspend or withdraw marketing approvals;
- refuse to permit the import or export of the product;

- seize or detain supplies of the product; or
- issue injunctions or impose civil or criminal penalties.

***If we fail to comply with federal and state healthcare laws, including fraud and abuse and health information privacy and security laws, we could face substantial penalties and our business, results of operations, financial condition and prospects could be adversely affected.***

As a pharmaceutical company, even though we do not provide healthcare services or receive payments directly from or bill directly to Medicare, Medicaid or other third-party payors for our products, certain federal and state healthcare laws and regulations pertaining to fraud and abuse, patients' rights and other healthcare laws and regulations, are applicable to our business. We are subject to healthcare laws and regulations by both the federal government and the states in which we conduct our business. The laws that may affect our ability to operate include:

- the federal Anti-Kickback Statute which prohibits, among other things, any person or entity, from knowingly and willfully soliciting, receiving, offering or paying any remuneration (including any kickback, bribe or rebate), directly or indirectly, overtly or covertly, in cash or in kind, to induce, or in return for either the referral of an individual, or the purchase, lease, furnishing, prescribing, ordering or recommendation of an item, good, facility or service reimbursable by a federally funded healthcare program, such as the Medicare or Medicaid program. This statute has been interpreted to apply to arrangements between pharmaceutical manufacturers on the one hand, and prescribers, purchasers and formulary managers on the other hand. The term "remuneration" has been interpreted broadly and may constrain our marketing practices, educational programs, pricing policies and relationships with healthcare providers or other entities, among other activities;
- the federal civil and criminal false claims laws, including the federal False Claims Act, and false statement laws and civil monetary penalty laws, which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment or approval from Medicare, Medicaid or other government payors that are false or fraudulent or making any materially false statement in connection with the delivery or payment for healthcare benefits, items or services. Pharmaceutical manufacturers can be held liable under the federal False Claims Act even when they do not submit claims directly to government payors if they are deemed to "cause" the submission of false or fraudulent claims;
- the Health Insurance Portability and Accountability Act of 1996 (HIPAA), which, among other things, imposes criminal liability for executing or attempting to execute a scheme to defraud any healthcare benefit program, including private third-party payors, knowingly and willfully embezzling or stealing from a healthcare benefit program, willfully obstructing a criminal investigation of a healthcare offense, and creates federal criminal laws that prohibit knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statements or representations, or making or using any false writing or document knowing the same to contain any materially false, fictitious or fraudulent statement or entry in connection with the delivery of, or payment for, benefits, items or services;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009 (HITECH) and their respective implementing regulations, including the final omnibus rule published on January 25, 2013, mandates, among other things, the adoption of uniform standards for the electronic exchange of information in common healthcare transactions, as well as standards relating to the privacy, security, transmission and breach reporting of individually identifiable health information, upon certain health plans, healthcare clearinghouses and healthcare providers and their respective business associates that perform services for them involving individually identifiable health information, which require the adoption of administrative, physical and technical safeguards to protect such information. Among other things, HITECH also created new tiers of civil monetary penalties, amended HIPAA to make civil and criminal penalties directly applicable to business associates, and gave state attorneys general new authority to file civil actions for damages or injunctions in U.S. federal courts to enforce the federal HIPAA laws and seek attorneys' fees and costs associated with pursuing federal civil actions;
- the federal physician payment transparency requirements, sometimes referred to as the "Physician Payments Sunshine Act," and its implementing regulations, which imposes annual disclosure requirements to the CMS on certain manufacturers of drugs, biologics, devices and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program (with certain exceptions), of certain payments or other transfers of value made to physicians and teaching hospitals, as well as ownership or investment interests held by physicians and their immediate family members. As of January 2021, payments made to physician assistants, nurse practitioners, clinical nurse specialists, certified registered nurse anesthetists and anesthesiologist assistants and certified nurse midwives must also be reported;
- state and foreign law equivalents of each of the above federal laws, such as anti-kickback and false claims laws, which may apply to items or services reimbursed by any third-party payor, including commercial insurers, which may impose similar or more prohibitive restrictions;



- state and foreign laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts;
- state, local and foreign laws that require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government, obtain pharmaceutical agent licensure, and/or otherwise restrict payments that may be made to healthcare providers and entities;
- state and local laws that require the registration of pharmaceutical sales representatives; and
- state, local and foreign laws that require drug manufacturers to report information related to payments and other transfers of value to other healthcare providers or entities or marketing expenditures.

Because of the breadth of these laws and the narrowness of the statutory exceptions and safe harbors available, it is possible that some of our business activities could be subject to challenge under one or more of such laws. The scope and enforcement of each of these laws is uncertain and subject to rapid change in the current environment of healthcare reform, especially in light of the lack of applicable precedent and regulations. Federal and state enforcement bodies have recently increased their scrutiny of interactions between healthcare companies and healthcare providers, which has led to a number of investigations, prosecutions, convictions and settlements in the healthcare industry. Additionally, the Patient Protection and Affordable Care Act (as amended by the Health Care and Education Reconciliation Act), enacted in 2010 (ACA), among other things, amended the intent requirement of the federal Anti-Kickback Statute and criminal health care fraud statutes, so that a person or entity no longer needs to have actual knowledge of the statute or specific intent to violate it. In addition, the ACA provides that the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitute a false or fraudulent claim for purposes of the False Claims Act.

Pharmaceutical and other healthcare companies have been prosecuted under the federal false claims laws for allegedly inflating drug prices they report to pricing services, which in turn are used by the government to set Medicare and Medicaid reimbursement rates, and for allegedly providing free product to customers with the expectation that the customers would bill federal programs for the product. In addition, certain marketing practices, including off-label promotion, may also violate false claims laws. To the extent that any product we make is sold in a country outside of the United States, we may be subject to similar laws and regulations.

The risks of complying with these laws cannot be entirely eliminated. Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business. Moreover, achieving and sustaining compliance with applicable federal and state privacy, security, fraud and transparency laws is time consuming and costly. If our past or present operations, or those of our distributors are found to be in violation of any of the laws described above or any other governmental regulations that apply to us, we may be subject to sanctions, including civil, criminal and administrative penalties, fines, damages, disgorgement, exclusion from participation in U.S. federal or state health care programs, individual imprisonment, additional reporting obligations and oversight if subject to a corporate integrity agreement or other agreement to resolve allegations of non-compliance with these laws, reputational harm, diminished profits and future earnings, and the curtailment or restructuring of our operations, any of which could materially adversely affect our ability to operate our business and our financial results. Similarly, if healthcare providers, distributors or other entities with whom we do business are found to be out of compliance with applicable laws and regulations, they may be subject to sanctions, which could also have a negative impact on us.

***Healthcare legislative reform measures may have a material adverse effect on our business and results of operations.***

In the United States, there have been and continue to be a number of legislative and regulatory changes, and proposed changes, that could affect the future results of our business and operations. In particular, there have been and continue to be a number of initiatives at the federal and state levels that seek to reduce healthcare costs. For example, in March 2010 the ACA was enacted, which has substantially changed the way health care is financed by both governmental and private insurers, and significantly impacted the U.S. pharmaceutical industry.

In addition, other legislative changes have been proposed and adopted since the ACA was enacted. In August 2011, the Budget Control Act of 2011, among other things, created measures for spending reductions by Congress. A Joint Select Committee on Deficit Reduction, tasked with recommending a targeted deficit reduction of at least \$1.2 trillion for the years 2013 through 2021, was unable to reach required goals, thereby triggering the legislation's automatic reduction to several government programs. These changes included aggregate reductions to Medicare payments to providers of up to 2% per fiscal year, which went into effect in April 2013. The Coronavirus Aid, Relief, and Economic Security (CARES) Act suspended the 2% Medicare sequester from May 1, 2020 through December 31, 2020, and extended the sequester by one year, through 2030. The American Taxpayer Relief Act of 2012, among other things, reduced Medicare payments to several providers and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. These new laws may result in additional reductions in Medicare and other

healthcare funding and otherwise affect the prices we may obtain for any of our product candidates for which we may obtain regulatory approval or the frequency with which any such product candidate is prescribed or used.

Since enactment of the ACA, there have been, and continue to be, numerous legal challenges and Congressional actions to repeal and replace provisions of the law. For example, with enactment of the Tax Cuts and Jobs Act of 2017, or the TCJA, Congress repealed the “individual mandate.” The repeal of this provision, which requires most Americans to carry a minimal level of health insurance, became effective in 2019. Further, on December 14, 2018, a U.S. District Court judge in the Northern District of Texas ruled that the individual mandate portion of the ACA is an essential and inseparable feature of the ACA, and therefore because the mandate was repealed as part of the TCJA, the remaining provisions of the ACA are invalid as well. The U.S. Supreme Court heard this case on November 10, 2020 and, on June 17, 2021, dismissed this action after finding that the plaintiffs do not have standing to challenge the constitutionality of the ACA. Litigation and legislation over the ACA are likely to continue, with unpredictable and uncertain results.

The Trump Administration also took executive actions to undermine or delay implementation of the ACA, including directing federal agencies with authorities and responsibilities under the ACA to waive, defer, grant exemptions from, or delay the implementation of any provision of the ACA that would impose a fiscal or regulatory burden on states, individuals, healthcare providers, health insurers, or manufacturers of pharmaceuticals or medical devices. On January 28, 2021, however, President Biden issued a new executive order which directs federal agencies to reconsider rules and other policies that limit Americans’ access to health care, and consider actions that will protect and strengthen that access. Under this executive order, federal agencies are directed to re-examine: policies that undermine protections for people with pre-existing conditions, including complications related to COVID-19; demonstrations and waivers under Medicaid and the ACA that may reduce coverage or undermine the programs, including work requirements; policies that undermine the Health Insurance Marketplace or other markets for health insurance; policies that make it more difficult to enroll in Medicaid and the ACA; and policies that reduce affordability of coverage or financial assistance, including for dependents.

In addition, the CMS has proposed regulations that would give states greater flexibility in setting benchmarks for insurers in the individual and small group marketplaces, which may have the effect of relaxing the essential health benefits required under the ACA for plans sold through such marketplaces. On November 30, 2018, CMS announced a proposed rule that would amend the Medicare Advantage and Medicare Part D prescription drug benefit regulations to reduce out of pocket costs for plan enrollees and allow Medicare plans to negotiate lower rates for certain drugs. Among other things, the proposed rule changes would allow Medicare Advantage plans to use pre authorization (PA) and step therapy (ST) for six protected classes of drugs, with certain exceptions, permit plans to implement PA and ST in Medicare Part B drugs; and change the definition of “negotiated prices” while adding a definition of “price concession” in the regulations. It is unclear whether these proposed changes will be accepted, and if so, what effect such changes will have on our business.

We expect that these healthcare reforms, as well as other healthcare reform measures that may be adopted in the future, may result in additional reductions in Medicare and other healthcare funding, more rigorous coverage criteria, new payment methodologies and additional downward pressure on the price that we receive for any approved product and/or the level of reimbursement physicians receive for administering any approved product we might bring to market. Reductions in reimbursement levels may negatively impact the prices we receive or the frequency with which our products are prescribed or administered. Any reduction in reimbursement from Medicare or other government programs may result in a similar reduction in payments from private payors. Accordingly, such reforms, if enacted, could have an adverse effect on anticipated revenue from product candidates that we may successfully develop and for which we may obtain marketing approval and may affect our overall financial condition and ability to develop or commercialize product candidates.

***The prices of prescription pharmaceuticals in the United States and foreign jurisdictions are subject to considerable legislative and executive actions and could impact the prices we obtain for our products, if and when approved.***

The prices of prescription pharmaceuticals have also been the subject of considerable discussion in the United States. To date, there have been several recent U.S. congressional inquiries, as well as proposed and enacted state and federal legislation designed to, among other things, bring more transparency to drug pricing, review the relationship between pricing and manufacturer patient programs, reduce the costs of drugs under Medicare and reform government program reimbursement methodologies for products. For example, on September 24, 2020, the Trump Administration finalized a rulemaking allowing states or certain other non-federal government entities to submit importation program proposals to the FDA for review and approval. Applicants are required to demonstrate that their importation plans pose no additional risk to public health and safety and will result in significant cost savings for consumers. The FDA has issued draft guidance that would allow manufacturers to import their own FDA-approved drugs that are authorized for sale in other countries (multi-market approved products).

In addition, President Trump issued several executive orders intended to lower the costs of prescription drug products. Certain of these orders are reflected in recently promulgated regulations, including an interim final rule implementing President Trump’s most favored nation model, but such final rule is subject to a nationwide preliminary injunction for its failure to comply with notice and comment rulemaking requirements. The Biden Administration has frozen certain of the previous administration’s measures to reform

drug prices, pending further review. The Biden Administration has also frozen certain of the previous administration's measures to reform drug prices, pending further review. It remains to be seen how the Biden Administration will address this issue but, under Medicare Part D, the administration may seek to establish a ceiling for the launch prices of all branded, biologic, and certain generic drugs by referencing the average price of these drugs in other developed countries. At the same time, the administration may seek to limit Medicare Part D and public option drug prices through a tax penalty on manufacturers for increases in the cost of drugs and biologics above the general inflation rate. The Biden Administration has agreed to delay for a year the implementation of one of President Trump's signature drug pricing policies, from January 2022 to 2023. The policy at issue would have prevented drug makers and middlemen from negotiating rebates on prescription drugs.

On July 9, 2021, President Biden signed Executive Order 14063, which focuses on, among other things, the price of pharmaceuticals. To address these costs, the executive order directs the Department of Health and Human Services (HHS), to create a plan within 45 days to combat "excessive pricing of prescription drugs and enhance domestic pharmaceutical supply chains, to reduce the prices paid by the federal government for such drugs, and to address the recurrent problem of price gouging." Thereafter, on September 9, 2021, HHS released its plan to reduce drug prices. The key features of that plan are to: (a) make drug prices more affordable and equitable for all consumers and throughout the health care system by supporting drug price negotiations with manufacturers; (b) improve and promote competition throughout the prescription drug industry by supporting market changes that strengthen supply chains, promote biosimilars and generic drugs, and increase transparency; and (c) foster scientific innovation to promote better healthcare and improve health by supporting public and private research and making sure that market incentives promote discovery of valuable and accessible new treatments. Further, on August 21, 2021, CMS issued a proposed rule to rescind the Trump Administration's interim final rule, following public notice and comment. With issuance of this proposal, CMS stated that it will carefully consider the comments it received on the November 2020 interim final rule as it explores all options to incorporate value into payments for Medicare Part B drugs and improve beneficiaries' access to evidence-based care.

At the state level, individual states are increasingly aggressive in passing legislation and implementing regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing. In addition, regional health care organizations and individual hospitals are increasingly using bidding procedures to determine what pharmaceutical products and which suppliers will be included in their prescription drug and other health care programs. These measures could reduce the ultimate demand for our products, once approved, or put pressure on our product pricing. We expect that additional state and federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could result in reduced demand for our product candidates or additional pricing pressures.

Finally, in the European Union, similar political, economic and regulatory developments may affect our ability to profitably commercialize our product candidates, if approved. In addition to continuing pressure on prices and cost containment measures, legislative developments at the European Union or member state level may result in significant additional requirements or obstacles that may increase our operating costs. The delivery of healthcare in the European Union, including the establishment and operation of health services and the pricing and reimbursement of medicines, is almost exclusively a matter for national, rather than European Union, law and policy. National governments and health service providers have different priorities and approaches to the delivery of healthcare and the pricing and reimbursement of products in that context. In general, however, the healthcare budgetary constraints in most European Union member states have resulted in restrictions on the pricing and reimbursement of medicines by relevant health service providers. Coupled with ever-increasing European Union and national regulatory burdens on those wishing to develop and market products, this could prevent or delay marketing approval of our product candidates, restrict or regulate post-approval activities and affect our ability to commercialize our product candidates, if approved.

In markets outside of the United States and the European Union, reimbursement and healthcare payment systems vary significantly by country, and many countries have instituted price ceilings on specific products and therapies. We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action in the United States, the European Union or any other jurisdiction. If we or any third parties we may engage are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we or such third parties are not able to maintain regulatory compliance, our product candidates may lose any regulatory approval that may have been obtained and we may not achieve or sustain profitability.

***Reporting and payment obligations under the Medicaid Drug Rebate Program and other governmental drug pricing programs are complex and may involve subjective decisions. Any failure to comply with those obligations could subject us to penalties and sanctions.***

As a condition of reimbursement by various federal and state health insurance programs, pharmaceutical companies are required to calculate and report certain pricing information to federal and state agencies. The regulations governing the calculations, price reporting and payment obligations are complex and subject to interpretation by various government and regulatory agencies, as well as the courts. Reasonable assumptions have been made where there is lack of regulations or clear guidance and such assumptions involve

subjective decisions and estimates. Pharmaceutical companies are required to report any revisions to our calculation, price reporting and payment obligations previously reported or paid. Such revisions could affect liability to federal and state payers and also adversely impact reported financial results of operations in the period of such restatement.

Uncertainty exists as new laws, regulations, judicial decisions, or new interpretations of existing laws, or regulations related to our calculations, price reporting or payments obligations increases the chances of a legal challenge, restatement or investigation. If a company becomes subject to investigations, restatements, or other inquiries concerning compliance with price reporting laws and regulations, it could be required to pay or be subject to additional reimbursements, penalties, sanctions or fines, which could have a material adverse effect on the business, financial condition and results of operations. In addition, it is possible that future healthcare reform measures could be adopted, which could result in increased pressure on pricing and reimbursement of products and thus have an adverse impact on financial position or business operations.

Further, state Medicaid programs may be slow to invoice pharmaceutical companies for calculated rebates resulting in a lag between the time a sale is recorded and the time the rebate is paid. This results in a company having to carry a liability on its consolidated balance sheets for the estimate of rebate claims expected for Medicaid patients. If actual claims are higher than current estimates, the company's financial position and results of operations could be adversely affected.

In addition to retroactive rebates and the potential for 340B Program refunds, if a pharmaceutical firm is found to have knowingly submitted any false price information related to the Medicaid Drug Rebate Program to the Centers for Medicare & Medicaid Services (CMS), it may be liable for civil monetary penalties. Such failure could also be grounds for CMS to terminate the Medicaid drug rebate agreement, pursuant to which companies participate in the Medicaid program. In the event that CMS terminates a rebate agreement, federal payments may not be available under government programs, including Medicaid or Medicare Part B, for covered outpatient drugs.

Additionally, if a pharmaceutical company overcharges the government in connection with the Family Self-Sufficiency Program or Tricare Retail Pharmacy Program, whether due to a misstated Federal Ceiling Price or otherwise, it is required to refund the difference to the government. Failure to make necessary disclosures and/or to identify contract overcharges can result in allegations against a company under the False Claims Act and other laws and regulations. Unexpected refunds to the government, and responding to a government investigation or enforcement action, would be expensive and time-consuming, and could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

***We are subject to anti-corruption laws, as well as export control laws, customs laws, sanctions laws and other laws governing our operations. If we fail to comply with these laws, we could be subject to civil or criminal penalties, other remedial measures and legal expenses, which could adversely affect our business, results of operations and financial condition.***

Our operations are subject to anti-corruption laws, including the U.S. Foreign Corrupt Practices Act (FCPA) the Irish Criminal Justice (Corruption Offenses) Act 2018, and other anti-corruption laws that apply in countries where we do business and may do business in the future. The FCPA and these other laws generally prohibit us, our officers, and our employees and intermediaries from bribing, being bribed or making other prohibited payments to government officials or other persons to obtain or retain business or gain some other business advantage. We may in the future operate in jurisdictions that pose a high risk of potential FCPA violations, and we may participate in collaborations and relationships with third parties whose actions could potentially subject us to liability under the FCPA or local anti-corruption laws. In addition, we cannot predict the nature, scope or effect of future regulatory requirements to which our international operations might be subject or the manner in that existing laws might be administered or interpreted.

Compliance with the FCPA is expensive and difficult, particularly in countries in which corruption is a recognized problem. In addition, the FCPA presents particular challenges in the pharmaceutical industry, because, in many countries, hospitals are operated by the government, and doctors and other hospital employees are considered foreign officials. Certain payments to hospitals in connection with clinical trials and other work have been deemed to be improper payments to government officials and have led to FCPA enforcement actions.

We are also subject to other laws and regulations governing our international operations, including regulations administered by the governments of the United States, and authorities in the European Union, including applicable export control regulations, economic sanctions on countries and persons, customs requirements and currency exchange regulations, collectively referred to as the trade control laws. Further, the provision of benefits or advantages to physicians to induce or encourage the prescription, recommendation, endorsement, purchase, supply, order, or use of medicinal products is prohibited in the European Union. The provision of benefits or advantages to physicians is also governed by the national anti-bribery laws of European Union member states, such as the UK Bribery Act 2010. Infringement of these laws could result in substantial fines and imprisonment. Payments made to physicians in certain European Union member states must be publicly disclosed. Moreover, agreements with physicians often must be the subject of prior notification and approval by the physician's employer, his or her competent professional organization, and/or the regulatory authorities of the individual European Union member states. These requirements are provided in the national laws, industry codes, or professional codes of conduct applicable in the European Union member states. Failure to comply with these requirements could result in reputational risk, public reprimands, administrative penalties, fines, or imprisonment.



There is no assurance that we will be effective in ensuring our compliance with all applicable anti-corruption laws, including the FCPA or other legal requirements, including trade control laws. If we are not in compliance with the FCPA and other anti-corruption laws or trade control laws, we may be subject to criminal and civil penalties, disgorgement and other sanctions and remedial measures, and legal expenses, which could have an adverse impact on our business, financial condition, results of operations and liquidity. Likewise, any investigation of any potential violations of the FCPA, other anti-corruption laws or trade control laws by U.S. or other authorities could also have an adverse impact on our reputation, our business, results of operations and financial condition.

***We are subject to various laws protecting the confidentiality of certain patient health information, and our failure to comply could result in penalties and reputational damage. Compliance with global privacy and data security requirements could result in additional costs and liabilities to us or inhibit our ability to collect and process data globally, and the failure to comply with such requirements could subject us to significant fines and penalties, which may have a material adverse effect on our business, financial condition or results of operations.***

The regulatory framework for the collection, use, safeguarding, sharing, transfer and other processing of information worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. Globally, virtually every jurisdiction in which we operate has established its own data security and privacy frameworks with which we must comply. For example, the collection, use, disclosure, transfer, or other processing of personal data regarding individuals in the European Union, including personal health data, is subject to the EU General Data Protection Regulation (GDPR), which took effect across all member states of the European Economic Area (EEA), in May 2018. The GDPR is wide-ranging in scope and imposes numerous requirements on companies that process personal data (including health and other sensitive data), including the following: to provide information to individuals regarding data processing activities; to implement safeguards to protect the security and confidentiality of personal data; to make a mandatory breach notification in certain circumstances; and to take certain measures when engaging third-party processors. The GDPR increases our obligations with respect to clinical trials conducted in the EEA by expanding the definition of personal data to include coded data and requiring changes to informed consent practices and more detailed notices for clinical trial subjects and investigators. In addition, the GDPR also imposes strict rules on the transfer of personal data to countries outside the European Union, including the United States and, as a result, increases the scrutiny that clinical trial sites located in the EEA should apply to transfers of personal data from such sites to countries that are considered to lack an adequate level of data protection, such as the United States. The GDPR also permits data protection authorities to require destruction of improperly gathered or used personal information and/or impose substantial fines for violations of the GDPR, which can be up to four percent of global revenues or 20 million Euros, whichever is greater. The GDPR also confers a private right of action on data subjects to lodge complaints with supervisory authorities, seek judicial remedies, and obtain compensation for damages resulting from violations of the GDPR. In addition, the GDPR provides that EU member states may make their own further laws and regulations limiting the processing of personal data, including genetic, biometric or health data adding to the complexity of processing personal data in the European Union.

Similar actions are either in place or under way in the United States. There are a broad variety of data protection laws that are applicable to our activities, and a wide range of enforcement agencies at both the state and federal levels that can review companies for privacy and data security concerns based on general consumer protection laws. The Federal Trade Commission and state Attorneys General all are aggressive in reviewing privacy and data security protections for consumers. New laws also are being considered at both the state and federal levels. For example, the California Consumer Privacy Act—which went into effect on January 1, 2020—is creating similar risks and obligations as those created by GDPR, though the Act does exempt certain information collected as part of a clinical trial subject to the Federal Policy for the Protection of Human Subjects (the Common Rule). Many other states are considering similar legislation. A broad range of legislative measures also have been introduced at the federal level. Accordingly, failure to comply with federal and state laws (both those currently in effect and future legislation) regarding privacy and security of personal information could expose us to fines and penalties under such laws. There also is the threat of consumer class actions related to these laws and the overall protection of personal data. Even if we are not determined to have violated these laws, government investigations into these issues typically require the expenditure of significant resources and generate negative publicity, which could harm our reputation and our business.

Given the breadth and depth of changes in data protection obligations, complying with the GDPR's requirements is rigorous and time intensive and requires significant resources and a review of our technologies, systems and practices, as well as those of any third-party collaborators, service providers, contractors or consultants that process or transfer personal data collected in the European Union. The GDPR and other changes in laws or regulations associated with the enhanced protection of certain types of sensitive data, such as healthcare data or other personal information from our clinical trials, could require us to change our business practices and put in place additional compliance mechanisms, may interrupt or delay our development, regulatory and commercialization activities, and could lead to government enforcement actions, private litigation and significant fines and penalties against us, all of which could increase our cost of doing business and have a material adverse effect on our business, financial condition or results of operations. Similarly, failure to comply with federal and state laws regarding privacy and security of personal information could expose us to fines and penalties under such laws. Even if we are not determined to have violated these laws, government investigations into these issues typically require the expenditure of significant resources and generate negative publicity, which could harm our reputation and our business.

Further, we cannot assure you that our third-party service providers with access to our or our customers', suppliers', trial patients' and employees' personally identifiable and other sensitive or confidential information in relation to which we are

responsible

will not breach contractual obligations imposed by us, or that they will not experience data security breaches or attempts thereof, which could have a corresponding effect on our business, including putting us in breach of our obligations under privacy laws and regulations and/or which could in turn adversely affect our business, results of operations and financial condition. We cannot assure you that our contractual measures and our own privacy and security-related safeguards will protect us from the risks associated with the third-party processing, storage and transmission of such information.

***Our employees, independent contractors, principal investigators, CROs, consultants or vendors may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements.***

We are exposed to the risk that our employees, independent contractors, principal investigators, CROs, consultants or vendors may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to us that violates FDA regulations, including those laws requiring the reporting of true, complete and accurate information to the FDA; manufacturing standards; federal and state healthcare fraud and abuse laws and regulations; or laws that require the true, complete and accurate reporting of financial information or data. Specifically, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Activities subject to these laws also involve the improper use or misrepresentation of information obtained in the course of clinical trials or creating fraudulent data in our preclinical studies or clinical trials, which could result in regulatory sanctions and serious harm to our reputation. It is not always possible to identify and deter misconduct by our employees and other third parties, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. Additionally, we are subject to the risk that a person could allege such fraud or other misconduct, even if none occurred. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, disgorgement, possible exclusion from participation in Medicare, Medicaid and other federal healthcare programs, individual imprisonment, additional reporting obligations and oversight if subject to a corporate integrity agreement or other agreement to resolve allegations of non-compliance with these laws, curtailment of our operations, contractual damages, reputational harm, and diminished potential profits and future earnings, any of which could adversely affect our business, financial condition, results of operations or growth prospects.

**Risks Related to Employee Matters and Managing Growth**

***Our future success depends on our ability to retain our Chief Executive Officer and other key executives and to attract, retain and motivate qualified personnel.***

Our industry has experienced a high rate of turnover of management personnel in recent years. We are highly dependent on the development, regulatory, commercialization and business development expertise of Corey N. Fishman, our Chief Executive Officer, as well as the other principal members of our management team. Although we have formal employment agreements with our executive officers, these agreements do not prevent them from terminating their employment with us at any time. For example, our chief scientific officer resigned in December 2020 and transitioned to a consulting role and member of our board of directors. We do not maintain “key man” insurance with respect to any of our executive officers or key employees.

If we lose one or more of our executive officers or key employees, our ability to implement our business strategy successfully could be seriously harmed. Furthermore, replacing executive officers and key employees may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to develop, gain regulatory approval of and commercialize product candidates successfully. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these additional key personnel on acceptable terms given the competition among numerous pharmaceutical and biotechnology companies for similar personnel. We also experience competition for the hiring of scientific and clinical personnel from universities and research institutions. In addition, we have in the past, and may continue to do so in the future, relied on consultants and advisors, including scientific and clinical advisors, to assist us in formulating our research and development and commercialization strategy. Our consultants and advisors may be engaged by entities other than us and may have commitments under consulting or advisory contracts with other entities that may limit their availability to us. If we are unable to continue to attract and retain high quality personnel, particularly with the impact of the COVID-19 pandemic on the global workforce, our ability to develop and commercialize product candidates will be limited.

***We may encounter difficulties in managing growth, which could disrupt our operations.***

We could experience growth in the number of our employees and the scope of our operations, if we need to conduct additional clinical trials or non-clinical investigation to support the potential resubmission of our NDA or in the event we are successful in obtaining regulatory approval particularly in the areas of manufacturing, regulatory affairs, sales, marketing and health resources. Our



management may need to divert a disproportionate amount of its attention away from our day-to-day activities to devote time to managing these growth activities. To manage these growth activities, we must continue to implement and improve our managerial, operational and financial systems, expand our facilities and continue to recruit and train additional qualified personnel. Due to the limited experience of our management team in managing a company with such anticipated growth, we may not be able to effectively manage the expansion of our operations or recruit and train additional qualified personnel. Our inability to effectively manage any expansion of our operations may result in weaknesses in our infrastructure, give rise to operational mistakes, loss of business opportunities, loss of employees and reduced productivity among remaining employees. Any growth experienced could require significant capital expenditures and may divert financial resources from other projects, such as the development of additional product candidates. If our management is unable to effectively manage such growth, our expenses may increase more than expected, our potential ability to generate revenue could be reduced and we may not be able to implement our business strategy.

In addition, we have and may continue to need to adjust the size of our workforce as a result of changes to our expectations for our business, which can result in diversion of management attention, disruptions to our business, and related expenses. For example, in 2020, we experienced a significant reduction in workforce as our initial sulopenem development program concluded. However, we received a CRL from the FDA on July 23, 2021 in respect of our NDA. The CRL provided that additional data are necessary to support approval of oral sulopenem for the treatment of adult women with uUTIs caused by designated susceptible microorganisms proven or strongly suspected to be non-susceptible to a quinolone and recommended that we conduct at least one additional adequate and well-controlled clinical trial, potentially using a different comparator drug. Additionally, the FDA recommended that we conduct further non-clinical investigation to determine the optimal dosing regimen, although the FDA stated that this recommendation does not raise an approvability issue. In connection with any such additional clinical trial(s) and non-clinical investigation, we may need to increase our workforce to support additional clinical activities, and, if we pursue additional clinical work related to cUTI and/or other indications, we may increase our research and development headcount.

***If approvals are obtained outside of the United States, we will be subject to additional risks in conducting business in those markets.***

Even if we are able to obtain approval for commercialization of a product candidate in a country outside of the United States, we will be subject to additional risks related to international business operations, including:

- potentially reduced protection for intellectual property rights;
- the potential for so-called parallel importing, which is what happens when a local seller, faced with high or higher local prices, opts to import goods from a market outside of the United States (with low or lower prices) rather than buying them locally;
- unexpected changes in tariffs, trade barriers and regulatory requirements;
- economic weakness, including inflation, or political instability in particular economies and markets;
- workforce uncertainty in countries where labor unrest is more common than in the United States;
- production shortages resulting from any events affecting a product candidate and/or finished drug product supply or manufacturing capabilities abroad;
- business interruptions resulting from geo-political actions, including war and terrorism, or natural disasters, including earthquakes, hurricanes, typhoons, floods and fires, public health crises, or pandemics, like COVID-19; and
- failure to comply with Office of Foreign Asset Control rules and regulations and the FCPA.

These and other risks may materially adversely affect our ability to attain or sustain revenue from markets outside of the United States.

***Our business, results of operations, financial condition, cash flows and share price can be adversely affected by pandemics, epidemics or other public health emergencies, such as the COVID-19 pandemic, which could delay our ability to complete our clinical trials, delay the initiation of our planned clinical trials and which may delay the initiation of future clinical trials, disrupt regulatory activities or have other adverse effects on our business and operations. In addition, the COVID-19 pandemic has caused substantial disruption in the financial markets and may adversely impact economies worldwide, both of which could result in adverse effects on our business and operations.***

Our business, results of operations, financial condition, cash flows and share price may be adversely affected by pandemics, epidemics or other public health emergencies, such as the recent outbreak of COVID-19 which has spread from China to many other countries, including the United States and Ireland. In March 2020, the World Health Organization characterized COVID-19 as a pandemic, and the President of the United States declared the COVID-19 outbreak a national emergency. The outbreak has resulted in governments around the world implementing increasingly stringent measures to help control the spread of the virus, including quarantines, “shelter in place” and “stay at home” orders, travel restrictions, business curtailments, school closures, and other measures. These responsive measures have had a significant impact, both direct and indirect, on business and commerce worldwide, as worker shortages have occurred, supply chains have been disrupted, and facilities and production have been suspended.



The COVID-19 pandemic may negatively affect our business and operations in a number of ways, and its long-term effects are uncertain. The spread of COVID-19 and the responsive measures taken to date have limited our access to our facilities and caused the majority of our employees to work from home. Responsive measures to COVID-19 have resulted in restrictions on operations at clinical trial sites which could impact patient enrolment on our ongoing Phase 1 clinical trial related to pediatric indications and any additional clinical trial(s) conducted in response to the CRL to support a potential resubmission of our NDA. In addition, the COVID-19 pandemic could impact the FDA's regulatory review process, including delays in the requested Type B meeting to discuss the design of a potential new clinical trial to support a potential resubmission of the NDA for approval of oral sulopenem following receipt of the CRL in July 2021, meetings related to planned or completed clinical trials and ultimately the review and approval of our product candidates. The FDA's review of any resubmitted NDA for oral sulopenem for the treatment of uUTI may be delayed due to COVID-19, including an inability to schedule, or delays in scheduling, meetings and inspections. Additionally, the COVID-19 pandemic may negatively impact our ability to initiate or complete future clinical trials, including any additional clinical trial(s) that may be conducted in response to the CRL, disrupt our regulatory and commercialization activities, and result in other adverse effects on our business and operations. For example, current and future restrictions on in-person interactions may impact how we commercialize our product candidates, if approved, and we may need to apply non-traditional marketing methods, which may ultimately not be efficient or successful.

In addition, our suppliers and manufacturers located in countries that have been affected by COVID-19 may also be disrupted, which may affect our ability to procure items that are essential for our research and development activities or commercialization in the event any of our product candidates is approved, and may cause disruptions in our current or future trials or commercialization activities. The response to the COVID-19 pandemic may redirect resources with respect to regulatory matters in a way that would adversely impact our ability to progress regulatory approval. We may also face impediments to regulatory meetings and approvals due to measures intended to limit in-person interactions. Additionally, we may also choose to redirect our own resources in a way that may adversely impact or delay certain of our programs.

We cannot foresee if and when the outbreak of COVID-19 will be effectively contained, nor can we predict the severity and duration of its impact. If the COVID-19 pandemic is not effectively and timely controlled, we may experience prolonged disruption of our clinical trials, suppliers or contract manufacturers, extended closures of facilities, such as clinical trial sites, suppliers, manufacturers and distributors, including single source suppliers, and delays with respect to regulatory approvals or the commercialization of any of our product candidates, if approved. Such events may materially and adversely affect our business operations and financial condition. Additionally, the COVID-19 pandemic has already caused significant disruptions in the financial markets, and may continue to cause such disruptions, which could impact our ability to raise additional funds and has also impacted, and may continue to impact, the volatility of our stock price and trading in our stock. Moreover, it is possible the COVID-19 pandemic will significantly impact economies worldwide, which could result in adverse effects on our business and operations. We cannot be certain what the overall impact of the COVID-19 pandemic will be on our business, our operations or the global and political environment as a whole but it has the potential to materially adversely affect our business, financial condition, results of operations, and prospects.

***We may engage in acquisitions that could disrupt our business, cause dilution to our shareholders or reduce our financial resources.***

In the future, we may enter into transactions to acquire other businesses, products or technologies. Any such proposed acquisitions may be subject to the consent of certain holders of the Securities in accordance with the terms and conditions of the EN Indenture and RLN Indenture as well as the prior written consent of SVB pursuant to the terms of the Loan and Security Agreement. If we do identify suitable candidates for acquisition, we may not be able to make such acquisitions on favorable terms, or at all, and we may not be able to obtain approval of or consent to such acquisitions from holders of the Securities or SVB. Any acquisitions we make may not strengthen our competitive position, and these transactions may be viewed negatively by customers or investors. We may decide to incur debt in connection with an acquisition or issue our ordinary shares or other equity securities to the shareholders of the acquired company, which would reduce the percentage ownership of our then current shareholders. We could incur losses resulting from undiscovered liabilities of the acquired business that are not covered by the indemnification we may obtain from the seller. In addition, we may not be able to successfully integrate the acquired personnel, technologies and operations into our existing business in an effective, timely and nondisruptive manner. Acquisitions may also divert management attention from day-to-day responsibilities, increase our expenses and reduce our cash available for operations and other uses. We cannot predict the number, timing or size of future acquisitions or the effect that any such transactions might have on our operating results.

### **Risks Related to Taxation**

As used in this section, Risks Related to Taxation, the term "U.S. Holder" means a beneficial owner of our ordinary shares that is, for U.S. federal income tax purposes, (1) an individual who is a citizen or resident of the United States, (2) a corporation (or entity treated as a corporation) created or organized in or under the laws of the United States, any state thereof, or the District of Columbia or otherwise treated as a "domestic corporation" for such purposes, (3) an estate the income of which is subject to U.S. federal income tax regardless of its source or (4) a trust (x) with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all of its

substantial decisions or (y) that has elected under applicable U.S. Treasury regulations to be treated as a domestic trust. If a partnership or other pass-

through entity holds our ordinary shares, the U.S. federal income tax treatment of a partner in that partnership or entity generally will depend upon the status of that partner and the activities of that partnership or entity.

***We have been a passive foreign investment company for U.S. federal income tax purposes in the past and we could be a passive foreign investment company in the future, which could subject U.S. Holders to adverse U.S. federal income tax consequences.***

We were a passive foreign investment company (PFIC) for U.S. federal income tax purposes for our taxable year ended December 31, 2017. Based on our gross income and average value of our gross assets, we do not believe we (or our wholly owned non-U.S. subsidiaries) were a PFIC for the taxable year ended December 31, 2018 or for any subsequent completed taxable year. We do not expect to be a PFIC for the taxable year ending December 31, 2021; however, our status, and the status of our non-U.S. subsidiaries, in any taxable year will depend on our assets and activities as determined at various times throughout that taxable year. As our PFIC status is a factual determination made annually after the end of each taxable year, there can be no assurances as to that status for the current taxable year or any future taxable year.

We will be a PFIC in any taxable year if at least (i) 75% of our gross income is “passive income” or (ii) 50% of the average gross value of our assets, determined on a quarterly basis, is attributable to assets that produce, or are held for the production of, passive income. We refer to the passive income test as the “PFIC Income Test” and the asset test as the “PFIC Asset Test”.

If we are a PFIC in any taxable year in which a U.S. Holder holds the shares of our stock, subject to the next sentence, we always will be a PFIC with respect to those shares, regardless of the results of the PFIC Income Test or the PFIC Asset Test as applied to us in subsequent taxable years. However, under applicable Treasury regulations, if the preceding sentence applies to a U.S. Holder we will cease to be treated as a PFIC with respect to that U.S. Holder if, in the manner and at the time required by those regulations, the U.S. Holder elects to recognize (and pay tax on, in the manner described in the next paragraph) any unrealized gain in the shares of our stock owned by that U.S. Holder.

If we are a PFIC and a U.S. Holder does not make a mark-to-market election (discussed below) with respect to our ordinary shares, under the so-called “excess distribution” regime that U.S. Holder may be subject to adverse tax consequences, including deferred tax and interest charges, with respect to certain distributions on our ordinary shares, any gain realized on a disposition of our ordinary shares and certain other events. The effect of these tax consequences could be materially adverse to the shareholder. If, in any taxable year during which a U.S. Holder holds our ordinary shares and any of our non-U.S. subsidiaries is a PFIC (i.e., a lower-tier PFIC), such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC and would be taxed under the excess distribution regime on distributions by the lower-tier PFIC and on gain from the disposition of shares of the lower-tier PFIC even though such U.S. Holder would not receive the proceeds of those distributions or dispositions.

If a U.S. Holder makes a valid and timely mark-to-market election with respect to our ordinary shares, that U.S. Holder will recognize as ordinary income or loss in each taxable year that we meet the PFIC Income Test or PFIC Asset Test an amount equal to the difference between that U.S. Holder’s adjusted basis in our ordinary shares and the fair market value of the ordinary shares, thus also possibly giving rise to phantom income and a potential out-of-pocket tax liability. Ordinary loss generally is recognized only to the extent of net mark-to-market gains previously included in income. The mark-to-market election generally will not be available with respect to any of our subsidiaries that is a PFIC and gain recognized on the sale of our ordinary shares that is attributable to a subsidiary that is a PFIC may result in such gain being subject to deferred tax and interest charges.

In certain circumstances a U.S. Holder may make a qualified electing fund, or “QEF election,” under the U.S. federal income tax laws with respect to that holder’s interest in a PFIC. Such an election may mitigate some of the adverse U.S. federal income tax consequences that could otherwise apply to a U.S. Holder under the excess distribution regime. However, we do not expect to provide U.S. Holders with the information necessary to make a valid QEF election, and U.S. Holders should therefore assume that a QEF election will not be available.

***If the IRS determines that we are not a PFIC, and a U.S. Holder previously paid taxes pursuant to a mark-to-market election, that holder may have paid more taxes than the holder legally owed.***

If the U.S. Internal Revenue Service (IRS) makes a determination that we were not a PFIC in a prior taxable year and a U.S. Holder previously paid taxes pursuant to a mark-to-market election, that U.S. Holder may have paid more taxes than were legally owed due to such election. If such U.S. Holder does not, or is not able to, file a refund claim before the expiration of the applicable statute of limitations, that U.S. Holder will not be able to claim a refund for those taxes.

***Changes to U.S. federal income tax laws could have material consequences for us and U.S. Holders of our ordinary shares.***

Future U.S. legislation, U.S. Treasury regulations, judicial decisions and IRS rulings could affect the U.S. federal income tax treatment of us and U.S. Holders of our ordinary shares, possibly with retroactive effect.

***A future transfer of a shareholder's ordinary shares, other than one effected by means of the transfer of book entry interests in DTC, may be subject to Irish stamp duty.***

Transfers of our ordinary shares effected by means of the transfer of book entry interests in the Depository Trust Company (DTC) should not be subject to Irish stamp duty. Where the ordinary shares are traded through DTC through brokers who hold such ordinary shares on behalf of customers an exemption should be available because our ordinary shares are traded on a recognized stock exchange in the U.S. However, if a shareholder holds their ordinary shares directly rather than beneficially through DTC through a broker, any transfer of their ordinary shares could be subject to Irish stamp duty (currently at the rate of 1% of the higher of the price paid or the market value of the shares acquired). Payment of Irish stamp duty is generally a legal obligation of the transferee. The potential for stamp duty to arise could adversely affect the price of our ordinary shares.

***Dividends paid by us may be subject to Irish dividend withholding tax.***

We have never declared or paid cash dividends on our ordinary shares and we do not expect to pay dividends for the foreseeable future. To the extent that we do make dividend payments (or other returns to shareholders that are treated as "distributions" for Irish tax purposes), it should be noted that, in certain limited circumstances, dividend withholding tax (currently at a rate of 25%) may arise in respect of dividends paid on our ordinary shares. A number of exemptions from dividend withholding tax exist, such that shareholders resident in EU member states (other than Ireland) or other countries with which Ireland has signed a double tax treaty, which includes the United States, should generally be entitled to exemptions from dividend withholding tax provided that the appropriate documentation is in place. The ability of a U.S. Holder to credit any Irish dividend withholding tax against that U.S. Holder's tentative U.S. federal tax liability may be subject to limitations.

***Dividends received by Irish residents and certain other shareholders may be subject to Irish income tax.***

We have never declared or paid cash dividends on our ordinary shares and we do not expect to pay dividends for the foreseeable future. To the extent that we do make dividend payments (or other returns to shareholders that are treated as "distributions" for Irish tax purposes), it should be noted that shareholders who are entitled to an exemption from Irish dividend withholding tax on dividends received from us will not be subject to Irish income tax in respect of those dividends, unless they have some connection with Ireland other than their shareholding in Iterum Therapeutics plc (for example, they are resident in Ireland) or they hold their ordinary shares through a branch or agency in Ireland which carries out a trade of their behalf. Shareholders who are not resident nor ordinarily resident in Ireland, but who are not entitled to an exemption from Irish dividend withholding tax, will generally have no further liability to Irish income tax on those dividends which suffer dividend withholding tax.

***Our ordinary shares received by means of a gift or inheritance could be subject to Irish capital acquisitions tax.***

Irish capital acquisitions tax (CAT) could apply to a gift or inheritance of our ordinary shares irrespective of the place of residence, ordinary residence or domicile of the parties. This is because our ordinary shares will be regarded as property situated in Ireland. The person who receives the gift or inheritance has primary liability for CAT.

## **Risks Related to Our Ordinary Shares**

***An active trading market for our ordinary shares may not be sustained.***

Our ordinary shares began trading on the Nasdaq Global Market on May 25, 2018 and on December 23, 2020, we transferred the listing of our ordinary shares to The Nasdaq Capital Market. Given the relatively limited trading history of our ordinary shares, there is a risk that an active trading market for our shares may not be sustained, which could put downward pressure on the market price of our ordinary shares and thereby affect the ability of shareholders to sell their shares. An inactive trading market for our ordinary shares may also impair our ability to raise capital to continue to fund our operations by issuing shares and may impair our ability to acquire other companies or technologies by using our shares as consideration.

***The price of our ordinary shares has been volatile and could be subject to volatility related or unrelated to our operations and our shareholders' investment in us could suffer a decline in value.***

Our share price has been and may continue to be volatile. The daily closing market price for our ordinary shares has varied between a high price of \$2.73 on February 10, 2021 and a low price of \$0.504 on November 18, 2020 in the twelve-month period ending on November 11, 2021. During this time, the price per ordinary share has ranged from an intra-day low of \$0.50 per share to an intra-day high of \$2.995 per share. The stock market in general and the market for biopharmaceutical companies in particular have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. As a result of this volatility, investors may not be able to sell their ordinary shares at or above the price paid for the shares.

We may continue to incur rapid and substantial increases or decreases in our stock price in the foreseeable future that may not coincide in timing with the disclosure of news or developments by or affecting us. Accordingly, the market price of our ordinary shares may fluctuate dramatically, and may decline rapidly, regardless of any developments in our business.

The trading price of our ordinary shares could be subject to wide fluctuations in response to various factors, some of which are beyond our control. The market price for our ordinary shares may be influenced by those factors discussed elsewhere in this “Risk Factors” section of this document and others, such as:

- results from, and any delays in clinical trials;
- announcements of regulatory approval or disapproval of oral sulopenem, sulopenem or future product candidates;
- announcements with respect to the outcome, impact, effects or results of our evaluation of corporate, strategic, financial and financing alternatives, including the terms, timing, structure, value, benefits and costs of any corporate, strategic, financial or financing alternative and our ability to complete one at all;
- the sentiment of retail investors including the perception of our clinical trial results by such retail investors, which investors may be subject to the influence of information provided by social media, third party investor websites and independent authors distributing information on the internet;
- delays in the commercialization of oral sulopenem, sulopenem or any future product candidates;
- manufacturing and supply issues related to our development programs and commercialization of oral sulopenem, sulopenem or any of our future product candidates;
- quarterly variations in our results of operations or those of our competitors;
- changes in our earnings estimates or recommendations, or withdrawal of coverage, by securities analysts;
- announcements by us or our competitors of new product candidates, significant contracts, commercial relationships, acquisitions or capital commitments;
- announcements relating to future development or license agreements including termination of such agreements;
- adverse developments with respect to our intellectual property rights or those of our principal collaborators;
- commencement of litigation involving us or our competitors;
- changes in our board of directors, management, or key scientific personnel
- new legislation in the United States relating to the prescription, sale, distribution or pricing of drugs;
- product liability claims, other litigation or public concern about the safety of oral sulopenem, sulopenem or future products;
- failure to comply or regain compliance with the Nasdaq Capital Market continued listing requirements;
- market conditions in the healthcare market in general, or in the antibiotics segment in particular, including performance of our competitors;
- publication of research reports about us or our industry, or antibiotics in particular;
- changes in the market valuations of similar companies;
- sales of large blocks of our ordinary shares by our existing shareholders; and
- general economic conditions in the United States and abroad, including resulting from geo-political actions, including war and terrorism, natural disasters, including earthquakes, hurricanes, typhoons, floods and fires, public health crises, or pandemics, like COVID-19.

In addition, the stock market in general, or the market for equity securities in our industry, may experience extreme volatility unrelated to our operating performance. These broad market fluctuations may adversely affect the trading price or liquidity of our ordinary shares. Any sudden decline in the market price of our ordinary shares could trigger securities class-action lawsuits against us. If any of our shareholders were to bring such a lawsuit against us, we could incur substantial costs defending the lawsuit and the time and attention of our management would be diverted from our business and operations. For example, we and our Chief Executive Officer and Chief Financial Officer have been named as defendants in a putative class action lawsuit following our announcement in July 2021 that the FDA issued a CRL in connection with our NDA for oral sulopenem for the treatment of uUTIs, stating that the FDA was unable to approve the application in its present form. See “Risks Related to our Financial Position and Capital Requirements—We and our Chief Executive Officer and Chief Financial Officer have been named as defendants in a lawsuit that could result in

substantial costs and divert management's attention." We also could be subject to damages claims if we are found to be at fault in connection with a decline in our share price.

***The volatility of our shares and shareholder base may hinder or prevent us from engaging in beneficial corporate initiatives.***

Our shareholder base is comprised of a large number of retail (or non-institutional) investors, which creates more volatility since shares change hands frequently. In accordance with our governing documents and applicable laws, there are a number of initiatives that require the approval of shareholders at an annual or extraordinary general meeting of shareholders. To hold a valid meeting, a quorum comprised of one or more Members (as defined in our Amended and Restated Constitution) whose name is entered in our register of members as a registered holder of our ordinary shares, present in person or by proxy (whether or not such Member actually exercises his voting rights in whole, in part or at all), holding not less than a majority of our issued and outstanding ordinary shares entitled to vote at a meeting of shareholders, will constitute a quorum for the transaction of business at the meeting. A record date is established to determine which shareholders are eligible to vote at the meeting, which record date must not be more than 60 days prior to the date of the meeting. Since our shares change hands frequently, there can be a significant turnover of shareholders between the record date and the meeting date which makes it harder to get shareholders to vote. While we make every effort to engage retail investors, such efforts can be expensive and the frequent turnover creates logistical issues for obtaining shareholder approval. Further, retail investors tend to be less likely to vote in comparison to institutional investors. Failure to secure sufficient votes or to achieve the minimum quorum needed for a meeting to happen may impede our ability to move forward with initiatives that are intended to grow the business and create shareholder value or prevent us from engaging in such initiatives at all. If we find it necessary to delay or adjourn meetings or to seek approval again, it will be time consuming and we will incur additional costs.

***If we fail to comply or regain compliance with the listing requirements of the Nasdaq Capital Market, we may be delisted and the price of our ordinary shares, our ability to access the capital markets and our financial condition could be negatively impacted and the delisting of our ordinary shares would result in an event of default and/or fundamental change under our debt instruments.***

Our ordinary shares are currently listed for quotation on the Nasdaq Capital Market. To maintain the listing of our ordinary shares on the Nasdaq Capital Market, we are required to meet certain listing requirements, including, among others:

- a minimum closing bid price of \$1.00 per share, and
- a market value of publicly held shares (excluding shares held by our officers, directors and 10% or more shareholders) of at least \$1.0 million.

In addition to the above requirements, we must meet at least one of the following requirements:

- shareholders' equity of at least \$2.5 million; or
- a market value of listed securities of at least \$35 million; or
- net income from continuing operations of \$500,000.

On September 7, 2021, we received a letter from the Listing Qualifications Department of The Nasdaq Stock Market, LLC, (Nasdaq) indicating that, based on the closing bid price for the previous 30 consecutive business days, the listing of our ordinary shares was not in compliance with Nasdaq Listing Rule 5550(a)(2) to maintain a minimum bid price of \$1.00 per share (the Bid Price Rule). Under Nasdaq Listing Rule 5810(c)(3)(A), we have a period of 180 calendar days, or until March 7, 2022, to regain compliance with the Bid Price Rule. To regain compliance during this 180-day compliance period, the closing bid price of our ordinary shares must be at least \$1.00 for a minimum of 10 consecutive business days. In the event that we do not regain compliance with the Bid Price Rule prior to the expiration of the 180-day compliance period, we may be eligible for an additional 180-day compliance period. To qualify, we will be required to meet the continued listing requirement for market value of publicly held shares and all other initial listing standards for The Nasdaq Capital Market, with the exception of the Bid Price Rule, and will need to provide written notice of our intention to cure the deficiency during the second compliance period, by effecting a reverse share split, if necessary. If we are not able to meet these requirements, we will receive written notification from Nasdaq that our ordinary shares are subject to delisting. At that time, we may appeal the delisting determination to a hearings panel pursuant to the procedures set forth in the applicable Nasdaq Listing Rules. However, there can be no assurance that, if we do appeal the delisting determination by Nasdaq to the panel, that such appeal would be successful.

Although we have been able to regain compliance with the listing requirements within the manner and time periods prescribed by Nasdaq in the past, there can be no assurance that we will be able to regain compliance with respect to the current deficiency or that we will be able to maintain compliance with the Nasdaq Capital Market continued listing requirements in the future or regain compliance with respect to any future deficiencies. This could impair the liquidity and market price of our ordinary shares. In addition, the delisting of our ordinary shares from a national exchange could have a material adverse effect on our access to capital markets, and any limitation on market liquidity or reduction in the price of our ordinary shares as a result of that delisting could adversely affect our ability to raise capital on terms acceptable to us, or at all. The delisting of our ordinary shares from The Nasdaq Stock Market could also negatively impact our financial condition as it would constitute (i) an event of default under the Loan and Security Agreement, which could lead to an acceleration of amounts due under the Loan and Security Agreement and foreclosure upon and/or sale or other



liquidation of all of our and our subsidiaries' assets, including intellectual property; and (ii) a fundamental change under the EN Indenture, which could trigger an obligation for us to repurchase the Exchangeable Notes at a repurchase price of 300% of the principal amount of the outstanding Exchangeable Notes. We intend to actively monitor the closing bid price of our listed ordinary shares and, as appropriate, will consider all available options to resolve the deficiency and regain compliance with the Bid Price Rule, including potentially seeking to effect a reverse share split.

***Through the RLNs, we transferred to the holders thereof rights to receive certain payments in connection with commercial sales of sulopenem, which may reduce our ability to realize potential future revenue from such sales.***

As part of the Private Placement and the Rights Offering, Iterum Bermuda issued RLNs which entitle the holders thereof to certain payments in connection with commercial sales of sulopenem. Holders of RLNs are entitled to payments based solely on a percentage of our net revenues from U.S. sales of specified sulopenem products (Specified Net Revenues). Payments will be due within 75 days of the end of each six-month payment measuring period (each, a Payment Measuring Period), beginning with the Payment Measuring Period ending June 30, 2020 until (i) the "Maximum Return" (as defined below) has been paid in respect of the RLNs, or (ii) December 31, 2045 (the End Date), or (iii) December 31, 2025, in the event that we have not yet received FDA approval with respect to one or more specified sulopenem products by such date. The aggregate amount of payments in respect of all RLNs during each Payment Measuring Period will be equal to the product of total Specified Net Revenues earned during such period and the applicable payment rate (Payment Rate), determined based on which of the specified sulopenem products have received FDA approval. The Payment Rate will be based on the maximum aggregate principal amount of RLNs and will equal (i) up to 15% if we or one of our affiliates has received FDA approval for the use of specified sulopenem products for the treatment of uUTIs and (ii) up to 20% if we or one of our affiliates has received FDA approval for the use of specified sulopenem products for the treatment of cUTIs but has not received FDA approval for treatment of uUTIs.

Prior to the End Date, Iterum Bermuda will be obligated to make payments on the RLNs from Specified Net Revenues until each RLN has received payments equal to \$160.00 (or 4,000 times the principal amount of such RLN) (the Maximum Return). The principal amount of the RLNs, equal to \$0.04 per RLN, is the last portion of the Maximum Return amount to which payments from Specified Net Revenue are applied. If any portion of the principal amount of the outstanding RLNs has not been paid as of the End Date, Iterum Bermuda must pay the unpaid portion of the principal amount. If Iterum Bermuda fails to pay any amounts on the RLNs that are due and payable, such defaulted amounts will accrue default interest at a rate per annum equal to the prime rate plus three percent (3.00%). Default interest will also accrue on the Principal Amount Multiple (as defined in the RLN Indenture) as a result of certain other defaults under the RLN Indenture at a rate per annum equal to four percent (4.00%).

Iterum Bermuda may at any time redeem for cash all, but not less than all, of the RLNs, at its option. The redemption price per RLN will be equal to the Maximum Return for each RLN, less payments made through and including the redemption date, plus certain accrued but unpaid default interest (if any). Upon a change of control of our company, we will require the ultimate beneficial owner or owners controlling the acquiring person or persons to guarantee the obligations of Iterum Bermuda under the RLN Indenture. In the event that a change of control occurs before we receive FDA approval with respect to one or more specified sulopenem products, the redemption price per RLN will be reduced to 50% of the Maximum Return for each RLN, less payments made through and including the redemption date, plus certain accrued but unpaid default interest (if any).

The payment obligations under the RLNs may reduce the revenue we are able to derive from commercial sales of sulopenem and a redemption of the RLNs would require us to use our cash resources, which could adversely affect the value of our company and the prices that investors are willing to pay for our ordinary shares and could adversely affect our business, financial condition and results of operations.

***If securities or industry analysts do not publish research or reports about our company, or if they issue adverse or misleading opinions regarding us or our ordinary shares, our share price and trading volume could decline.***

The trading market for our ordinary shares relies, in part, on the research and reports that industry or financial analysts publish about our company. If no, or only a few, analysts publish research or reports about our company, the market price for our ordinary shares may be adversely affected. Our share price also may decline if any analyst who covers us issues an adverse or misleading opinion regarding us, our business model, our intellectual property or our share performance, or if our pivotal safety and efficacy studies and operating results fail to meet analysts' expectations. If one or more analysts cease coverage of us or fail to regularly

publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline and possibly adversely affect our ability to engage in future financings.

***The issuance of additional ordinary shares may dilute our existing shareholders' level of ownership in our Company or require us to relinquish rights.***

Any issuance of securities we may undertake, whether in the future to raise additional capital or upon exchange or exercise of outstanding convertible securities, could cause the price of our ordinary shares to decline, or require us to issue shares at a price that is lower than that paid by holders of our ordinary shares in the past, which would result in those newly issued shares being dilutive.

In addition, the Exchangeable Notes are exchangeable for ordinary shares, cash or a combination of ordinary shares and cash, at our election, upon the terms and conditions specified therein. If we elect for physical settlement, the issuance of ordinary shares for the Exchangeable Notes may dilute the ownership percentage or voting power of our shareholders. As of September 30, 2021, approximately \$12.6 million aggregate principal amount of Exchangeable Notes remained outstanding. The warrants that we issued the purchasers and/or the designees of the placement agent and underwriter, as applicable, in connection with the June 3 Offering, the June 30 Offering, the October Offering, the February 2021 Underwritten Offering and the February 2021 Registered Direct Offering are exercisable at any time until a specified expiration date, and any exercise of outstanding warrants will increase the number of shares outstanding, which may dilute the ownership percentage or voting power of our shareholders. Additionally, the exercise of outstanding options and vesting of restricted share units and performance share units under our equity incentive plans or inducement grants or exercise of other outstanding warrants, including warrants issued to SVB and Life Sciences Fund II LLC, for ordinary shares may also dilute the ownership percentage or voting power of our shareholders.

Further, if we obtain funds through the sale of equity or a debt financing or through the issuance of convertible debt or preference securities, these securities would likely have rights senior to the rights of our ordinary shareholder, which could impair the value of our ordinary shares. Any debt financing we enter into may include covenants that limit our flexibility in conducting our business. We also could be required to seek funds through arrangements with collaborators or others, which might require us to relinquish valuable rights to our intellectual property or product candidates that we would have otherwise retained.

***Sales of a substantial number of our ordinary shares in the public market, or the perception that these sales could occur, could cause our share price to fall.***

A substantial portion of our outstanding ordinary shares can be traded without restriction at any time. If our current shareholders sell, or indicate an intention to sell, substantial amounts of our ordinary shares in the public market, the trading price of our ordinary shares could decline.

A portion of our outstanding ordinary shares is currently restricted as a result of federal securities laws but can be sold at any time subject to applicable volume limitations.

In addition, the Exchangeable Notes are exchangeable for our ordinary shares upon the terms and conditions specified therein and a substantial portion have been exchanged for our ordinary shares. Pursuant to the investor rights agreement we entered into in connection with the Private Placement, we have filed a registration statement covering the ordinary shares issuable in connection with the exchange of the Exchangeable Notes issued as part of the Private Placement, among other securities, and the ordinary shares issuable in connection with the exchange of the Exchangeable Notes issued in connection with the Rights Offering are also covered by a registration statement. Also, in connection with our June 3 Offering and June 30 Offering, we filed a registration statement providing for the resale by the purchasers in such offerings of ordinary shares issued and issuable upon exercise of the warrants purchased in such offerings and a substantial portion of the warrants have been exercised. As a result, the shares issuable upon exchange of such notes and upon exercise of such warrants are able to be sold by the holders thereof without restrictions, subject to compliance with securities laws.

Furthermore, ordinary shares that are issuable upon exercise of outstanding options or reserved for future issuance under our equity incentive plans or are issuable upon exercise of our other outstanding warrants will become eligible for sale in the public market to the extent permitted by the provisions of various vesting schedules or performance criteria, and applicable securities laws. If any of these additional ordinary shares are sold, or if it is perceived that they will be sold, in the public market, the trading price of our ordinary shares could decline.

***Irish law differs from the laws in effect in the United States and may afford less protection to holders of our securities.***

Shareholders may have difficulties enforcing, in actions brought in courts in jurisdictions located outside the United States, judgments obtained in the U.S. courts under the U.S. securities laws. In particular, if a shareholder sought to bring proceedings in Ireland based on U.S. securities laws, the Irish court might consider:

- that it did not have jurisdiction;
- that it was not the appropriate forum for such proceedings;
- that, applying Irish conflict of law rules, U.S. law (including U.S. securities laws) did not apply to the relationship between the shareholder and us or our directors and officers; or
- that the U.S. securities laws were of a penal nature and violated Irish public policy and should not be enforced by the Irish court.

It may not be possible to enforce court judgments obtained in the United States against us in Ireland based on the civil liability provisions of the U.S. federal or state securities laws. In addition, there is some uncertainty as to whether the courts of Ireland would recognize or enforce judgments of U.S. courts obtained against us or our directors or officers based on the civil liabilities provisions of the U.S. federal or state securities laws. We have been advised that the United States currently does not have a treaty with Ireland providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any U.S. federal or state court based on civil liability, whether or not based solely on U.S. federal or state securities laws, would not automatically be enforceable in Ireland.

A judgment obtained against us will be enforced by the courts of Ireland only if the following general requirements are met:

- U.S. courts must have had jurisdiction in relation to the particular defendant according to Irish conflict of law rules (the submission to jurisdiction by the defendant would satisfy this rule); and
- the judgment must be final and conclusive and the decree must be final and unalterable in the court which pronounces it.

A judgment can be final and conclusive even if it is subject to appeal or even if an appeal is pending. But where the effect of lodging an appeal under the applicable law is to stay execution of the judgment, it is possible that in the meantime the judgment may not be actionable in Ireland. It remains to be determined whether final judgment given in default of appearance is final and conclusive. Irish courts may also refuse to enforce a judgment of the U.S. courts which meets the above requirements for one of the following reasons:

- the judgment is not for a definite sum of money;
- the judgment was obtained by fraud;
- the enforcement of the judgment in Ireland would be contrary to natural or constitutional justice;
- the judgment is contrary to Irish public policy or involves certain U.S. laws which will not be enforced in Ireland; or
- jurisdiction cannot be obtained by the Irish courts over the judgment debtors in the enforcement proceedings by personal service in Ireland or outside Ireland under Order 11 of the Irish Superior Courts Rules.

As an Irish company, we are governed by the Irish Companies Act 2014 (the Irish Companies Act), which differs in some material respects from laws generally applicable to U.S. corporations and shareholders, including, among others, differences relating to interested director and officer transactions and shareholder lawsuits. Likewise, the duties of directors and officers of an Irish company generally are owed to the company only. Shareholders of Irish companies generally do not have a personal right of action against directors or officers of the company and may exercise such rights of action on behalf of the company only in limited circumstances. Accordingly, holders of our securities may have more difficulty protecting their interests than would holders of securities of a corporation incorporated in a jurisdiction of the United States.

Our shareholders should also be aware that Irish law does not allow for any form of legal proceedings directly equivalent to the class action available in the United States.

***We have incurred and will continue to incur increased costs as a result of operating as a public company, and our management is required to devote substantial time and attention to our public reporting obligations.***

As a publicly-traded company, we have incurred and will continue to incur significant additional legal, accounting and other expenses compared to historical levels. In addition, new and changing laws, regulations and standards relating to corporate governance and public disclosure, including the Dodd-Frank Wall Street Reform and Consumer Protection Act and the rules and regulations promulgated and to be promulgated thereunder, as well as under the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act), the Jumpstart Our Business Startups Act of 2012 (the JOBS Act) and the rules and regulations of the SEC and the Nasdaq Capital Market, have created uncertainty for public companies and increased our costs and time that our board of directors and management must devote to complying with these rules and regulations. We expect these rules and regulations to continue to

increase our legal and financial compliance costs substantially and lead to diversion of management time and attention from revenue-generating activities.

***We are an “emerging growth company,” and the reduced disclosure requirements applicable to “emerging growth companies” may make our ordinary shares less attractive to investors.***

We are an “emerging growth company” as defined in the JOBS Act, and, therefore, we may take advantage of reduced disclosure and regulatory requirements that are otherwise generally applicable to public companies, 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, 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. We may take advantage of these reduced disclosure and regulatory requirements until we are no longer an “emerging growth company.” We may remain an “emerging growth company” until as late as December 31, 2023 (the fiscal year-end following the fifth anniversary of our IPO), although we may cease to be an “emerging growth company” earlier under certain circumstances, including if the market value of our ordinary shares that is held by non-affiliates exceeds \$700 million as of any June 30, in which case we would cease to be an “emerging growth company” as of the following December 31, or if our gross revenue exceeds \$1.07 billion in any fiscal year. In addition, the JOBS Act provides that an emerging growth company can delay adopting new or revised accounting standards until those standards apply to private companies. We have irrevocably elected not to avail ourselves of this delayed adoption of new or revised accounting standards and, therefore, we are subject to the same new or revised accounting standards as public companies that are not emerging growth companies.

The exact implications of the JOBS Act are still subject to interpretations and guidance by the SEC and other regulatory agencies, and we may not be able to take advantage of all of the benefits of the JOBS Act. In addition, investors may find our ordinary shares less attractive if we rely on the exemptions and relief granted by the JOBS Act. If some investors find our ordinary shares less attractive as a result, there may be a less active trading market for our ordinary shares and our share price may decline or become more volatile.

***If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.***

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act, and the rules and regulations of the applicable listing standards of the Nasdaq Capital Market. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, weaknesses in our disclosure controls and internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our results of operations or cause us to fail to meet our reporting obligations and may result in a restatement of our consolidated financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting could also adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we will eventually be required to include in our periodic reports that will be filed with the SEC. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our ordinary shares. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the Nasdaq Capital Market.

Pursuant to Section 404 of the Sarbanes-Oxley Act, we are required to furnish a report by our management on our internal control over financial reporting. However, while we remain an emerging growth company, we will not be required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. To achieve compliance with Section 404, we engaged and continue to engage in a process to document and evaluate our internal control over financial reporting, which is both costly and challenging. In this regard, we need to continue to dedicate internal resources, potentially engage outside consultants and adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting. Despite our efforts, there is a risk that we will not be able to conclude, within the prescribed timeframe or at all, that our internal control over financial reporting is effective as required by Section 404. If we identify one or more material weaknesses, it could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements. Additionally, we will be unable to issue securities in the public markets through the use of a shelf registration if we are not in compliance with Section 404.

Any failure to maintain effective disclosure controls and internal control over financial reporting could have a material and adverse effect on our business, results of operations and financial condition and could cause a decline in the trading price of our ordinary shares.

***We have never paid cash dividends, do not anticipate paying any cash dividends and our ability to pay dividends, or repurchase or redeem our ordinary shares, is limited by law.***

We have never declared or paid cash dividends on our ordinary shares and do not anticipate paying any dividends on our ordinary shares in the foreseeable future. Any determination to pay dividends in the future will be at the sole discretion of our board of directors after considering our financial condition, results of operations, capital requirements, contractual restrictions, general business conditions and other factors our board of directors deems relevant, and subject to compliance with applicable laws, including the Irish Companies Act which requires Irish companies to have distributable reserves available for distribution equal to or greater than the amount of the proposed dividend. Distributable reserves are the accumulated realized profits of the company that have not previously been utilized in a distribution or capitalization less accumulated realized losses that have not previously been written off in a reduction or reorganization of capital. Unless the company creates sufficient distributable reserves from its business activities, the creation of such distributable reserves would involve a reduction of the company's share premium account, which would require the approval of (i) 75% of our shareholders present and voting at a shareholder meeting, and (ii) the Irish High Court. In the event that we do not undertake a reduction of capital to create distributable reserves, no distributions by way of dividends, share repurchases or otherwise will be permitted under Irish law until such time as the company has created sufficient distributable reserves from its business activities. In addition, our ability to pay cash dividends is currently prohibited by the terms of our secured credit facility with SVB.

Accordingly, the only opportunity for a shareholder to achieve a return on their investment in our company is expected to be if the market price of our ordinary shares appreciates and they sell their ordinary shares at a profit.

***Anti-takeover provisions in our Articles of Association and under Irish law could make an acquisition of us more difficult, limit attempts by our shareholders to replace or remove our current directors and management team, and limit the market price of our ordinary shares.***

Our Articles of Association contain provisions that may delay or prevent a change of control, discourage bids at a premium over the market price of our ordinary shares, and adversely affect the market price of our ordinary shares and the voting and other rights of the holders of our ordinary shares. These provisions include:

- dividing our board of directors into three classes, with each class serving a staggered three-year term;
- permitting our board of directors to adopt a shareholder rights plan upon such terms and conditions as it deems expedient and in our best interests;
- permitting our board of directors to issue preference shares, with such rights, preferences and privileges as they may designate;
- establishing an advance notice procedure for shareholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our board of directors; and
- imposing particular approval and other requirements in relation to certain business combinations.

These provisions would apply even if the offer may be considered beneficial by some shareholders. In addition, these provisions may frustrate or prevent any attempts by our shareholders to replace or remove our current management team by making it more difficult for shareholders to replace members of our board of directors, which is responsible for appointing the members of our management.

***Provisions in the EN Indenture and RLN Indenture may deter or prevent a business combination that may be favorable to the holders of our ordinary shares.***

If a fundamental change occurs prior to the interest record date of the Exchangeable Notes, holders of the Exchangeable Notes will have the right, at their option, to require us to repurchase for cash all or a portion of their Exchangeable Notes. The negative covenants in the EN Indenture also prohibit us from undergoing a change of control transaction, other than a transaction in which each Exchangeable Note holder receives cash consideration of at least 300% of the outstanding principal amount of its notes. Furthermore, the EN Indenture prohibits us from engaging in certain mergers or acquisitions unless, among other things, the surviving entity assumes our obligations under the Exchangeable Notes, the EN Indenture and the guarantees. In addition, the RLN Indenture prohibits us from engaging in certain mergers or acquisitions unless, among other things, the surviving entity assumes our obligations under the RLNs, the RLN Indenture and the guarantees and the RLN Indenture prohibits us from selling, transferring or assigning certain assets and prohibits Iterum Bermuda, the Guarantors or any of our significant subsidiaries from undergoing a change of control, other than in connection with a change of control of us. These and other provisions in the EN Indenture and the RLN Indenture could deter or prevent a third party from acquiring us even when the acquisition may be favorable to the holders of our ordinary shares.

***Irish law differs from the laws in effect in the United States with respect to defending unwanted takeover proposals and may give our board of directors less ability to control negotiations with hostile offerors.***

Following the authorization for trading of our ordinary shares on the Nasdaq Global Market, we became subject to the Irish Takeover Panel Act, 1997, Irish Takeover Rules 2013 (Irish Takeover Rules). Under the Irish Takeover Rules, our board of directors is not permitted to take any action that might frustrate an offer for our ordinary shares once our board of directors has received an approach that may lead to an offer or has reason to believe that such an offer is or may be imminent, subject to certain exceptions. Potentially frustrating actions such as (i) the issue of shares, options, restricted share units or convertible securities, (ii) material acquisitions or disposals, (iii) entering into contracts other than in the ordinary course of business or (iv) any action, other than seeking alternative offers, which may result in frustration of an offer, are prohibited during the course of an offer or at any earlier time during which our board of directors has reason to believe an offer is or may be imminent. These provisions may give our board of directors less ability to control negotiations with hostile offerors than would be the case for a corporation incorporated in a jurisdiction of the United States.

***The operation of the Irish Takeover Rules may affect the ability of certain parties to acquire our ordinary shares.***

Under the Irish Takeover Rules, if an acquisition of ordinary shares were to increase the aggregate holding of the acquirer and its concert parties to ordinary shares that represent 30% or more of the voting rights of the company, then the acquirer and/or, in certain circumstances, its concert parties would be required (except with the consent of the Irish Takeover Panel) to make an offer for all of the outstanding ordinary shares at a price not less than the highest price paid for the ordinary shares by the acquirer or its concert parties during the previous 12 months (known as a mandatory cash offer). This requirement would also be triggered by an acquisition of ordinary shares by a person holding (together with its concert parties) ordinary shares that represent between 30% and 50% of the voting rights in the company, if the effect of such acquisition was to increase that person's percentage of the voting rights by 0.05% within any 12 month period. The EN Indenture provides that if a holder of Exchangeable Notes notifies us that they would be subject to this mandatory offer requirement, we will only issue to such holder such number of ordinary shares that can be issued without triggering a mandatory cash offer on an exchange with the remaining ordinary shares to be delivered as promptly as practicable after the holder notifies us that they would no longer be subject to a mandatory cash offer request.

Under the Irish Takeover Rules, certain separate concert parties are presumed to be acting in concert. Our board of directors and their relevant family members, related trusts and "controlled companies" are presumed to be acting in concert with any corporate shareholder who holds 20% or more of our shares. The application of these presumptions may result in restrictions upon the ability of any such concert parties and/or members of our board of directors and the other holders of the Exchangeable Notes to acquire more of our securities, including under the terms of the Exchangeable Notes and any executive incentive arrangements. We, or any such holders, may consult with the Irish Takeover Panel from time to time with respect to the application of this presumption and the restrictions on the ability to acquire further securities, although we are unable to provide any assurance as to whether the Irish Takeover Panel would overrule this presumption. Accordingly, the application of the Irish Takeover Rules may restrict the ability of certain of our shareholders and directors to acquire our ordinary shares.

***As an Irish public limited company, certain capital structure decisions require shareholder approval, which may limit our flexibility to manage our capital structure.***

Under Irish law, our authorized share capital can be increased by an ordinary resolution of our shareholders and the directors may issue new ordinary or preferred shares up to a maximum amount equal to the authorized but unissued share capital, without shareholder approval, once authorized to do so by our Articles of Association or by a resolution approved by not less than 50% of the votes cast at a general meeting of our shareholders. Additionally, subject to specified exceptions, Irish law grants statutory preemption rights to existing shareholders where shares are being issued for cash consideration but allows shareholders to disapply such statutory preemption rights either in our Articles of Association or by way of a resolution approved by not less than 75% of the votes cast at a general meeting of our shareholders. Such disapplication can either be generally applicable or be in respect of a particular allotment of shares. Accordingly, at an extraordinary meeting of our shareholders on January 28, 2021, our shareholders authorized the board to issue new shares, and to disapply statutory preemption rights for such issuances up to the amount of our authorized but unissued share capital until January 26, 2026. The authorization of the directors to issue shares and the disapplication of statutory preemption rights must both be renewed by the shareholders at least every five years, and we cannot provide any assurance that these authorizations will always be approved, or be approved without limitations, which could limit our ability to issue equity and thereby adversely affect the holders of our securities.

**Item 2. Unregistered Sales of Equity Securities**  
***Recent Sales of Unregistered Securities***

None.



**Item 6. Exhibits.**

The following is a list of exhibits filed or furnished as part of this Quarterly Report on Form 10-Q:

| Exhibit No. | Description of Document   | Filed with this report | Incorporated by Reference herein from Form or Schedule | Filing Date    | SEC File Number |
|-------------|---|------------------------|--|----------------|-----------------|
| 22.1        | <a href="#">Subsidiary Guarantors and Subsidiary Issuers</a>  |                        | Form 10-K (Exhibit 22.1)                               | March 12, 2021 | 001-38503       |
| 31.1        | <a href="#">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.</a> | X                      |  |                |                 |
| 31.2        | <a href="#">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.</a> | X                      |  |                |                 |
| 32.1        | <a href="#">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.</a>  | X                      |  |                |                 |
| 32.2        | <a href="#">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.</a>  | X                      |  |                |                 |
| 101.INS     | Inline XBRL Instance Document   | X                      |  |                |                 |
| 101.SCH     | Inline XBRL Taxonomy Extension Schema Document  | X                      |  |                |                 |
| 101.CAL     | Inline XBRL Taxonomy Extension Calculation Linkbase Document  | X                      |  |                |                 |
| 101.DEF     | Inline XBRL Taxonomy Extension Definition Linkbase Document   | X                      |  |                |                 |
| 101.LAB     | Inline XBRL Taxonomy Extension Label Linkbase Document  | X                      |  |                |                 |
| 101.PRE     | Inline XBRL Taxonomy Extension Presentation Linkbase Document   | X                      |  |                |                 |
| 104         | Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101)  | X                      |  |                |                 |

