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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023

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: 001-41742

Sagimet Biosciences Inc.

(Exact name of registrant as specified in its charter)

Delaware	20-5991472
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
155 Bovet Road, Suite 303 San Mateo, California	**94402**
(Address of principal executive offices)	(Zip Code)

(650) 561-8600
(Registrant's telephone number, including area code)

N/A
(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**
Series A Common Stock, $0.0001 par value per share	SGMT	Nasdaq Global Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒

No☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

The number of shares of the registrant's Series A common stock, $0.0001 par value per share, outstanding at November 9, 2023 was 21,375,402.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this Quarterly Report) contains forward-looking statements about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this Quarterly Report, including statements regarding our future results of operations and financial position, business strategy, drug candidates, planned preclinical studies and clinical trials, results of preclinical studies, clinical trials, research and development costs, regulatory approvals, timing and likelihood of success, as well as plans and objectives of management for future operations, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that are in some cases beyond our control and may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “would,” “expect,” “plan,” “anticipate,” “could,” “intend,” “target,” “project,” “believe,” “estimate,” “predict,” “potential,” or “continue” or the negative of these terms or other similar expressions. Forward-looking statements contained in this Quarterly Report include, but are not limited to, statements about:

- our financial performance;
- our ability to obtain additional cash and the sufficiency of our existing cash, cash equivalents and short-term investments in marketable securities to fund our future operating expenses and capital expenditure requirements;
- the accuracy of our estimates regarding expenses, future revenue, capital requirements, and needs for additional financing;
- the scope, progress, results and costs of developing denifanstat or any other drug candidates we may develop, and conducting preclinical studies and clinical trials, including our FASCINATE-2 Phase 2b clinical trial;
- the timing and costs involved in obtaining and maintaining regulatory approval of denifanstat or any other drug candidates we may develop, and the timing or likelihood of regulatory filings and approvals, including our expectation to seek special designations or accelerated approvals for our drug candidates for various indications;
- current and future agreements with third parties in connection with the development and commercialization of denifanstat or any other future drug candidate;
- our estimated number of patients in the United States who suffer from the diseases we target, including nonalcoholic steatohepatitis (NASH), and the number of subjects that will enroll in our clinical trials;
- our ability to advance drug candidates into and successfully complete clinical trials;
- our relationship with Ascletis BioScience Co. Ltd. (Ascletis), and its affiliate Gannex Pharma Co., Ltd. (Gannex), and the success of their development efforts for denifanstat;
- the ability of our clinical trials to demonstrate the safety and efficacy of denifanstat and any other drug candidates we may develop, and other positive results;
- our plans relating to commercializing denifanstat and any other drug candidates we may develop, if approved, including the geographic areas of focus and our ability to grow a sales team;
- the success of competing therapies that are or may become available;
- developments relating to our competitors and our industry, including competing drug candidates and therapies;

- our plans relating to the further development and manufacturing of denifanstat and any other drug candidates we may develop, including additional indications that we may pursue for denifanstat or other drug candidates;
- existing regulations and regulatory developments in the United States and other jurisdictions;
- our potential and ability to successfully manufacture and supply denifanstat and any other drug candidates we may develop for clinical trials and for commercial use, if approved;
- the rate and degree of market acceptance of denifanstat and any other drug candidates we may develop, as well as the pricing and reimbursement of denifanstat and any other drug candidates we may develop, if approved;
- our expectations regarding our ability to obtain, maintain, protect and enforce intellectual property protection for denifanstat and for any other future drug candidate;
- our ability to attract and retain the continued service of our key personnel and to identify, hire, and then retain additional qualified personnel and our ability to attract additional collaborators with development, regulatory and commercialization expertise;
- the impact of the COVID-19 pandemic, macroeconomic conditions and geopolitical turmoil on our business and operations;
- our expectations regarding the period during which we will qualify as an emerging growth company under the JOBS Act; and
- our anticipated use of our existing cash, cash equivalents and short-term investments in marketable securities.

We have based these forward-looking statements largely on our current expectations and projections about our business, the industry in which we operate and financial trends that we believe may affect our business, financial condition, results of operations and prospects, and these forward-looking statements are not guarantees of future performance or development. These forward-looking statements speak only as of the date of this Quarterly Report and are subject to a number of risks, uncertainties and assumptions described in Part II, Item 1A. “Risk Factors” and elsewhere in this Quarterly Report. Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, you should not rely on these forward-looking statements as predictions of future events. The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein until after we distribute this Quarterly Report, whether as a result of any new information, future events or otherwise.

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 you are cautioned not to unduly rely upon these statements.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

SAGIMET BIOSCIENCES INC.

CONDENSED BALANCE SHEETS

(Unaudited)
(in thousands, except for share and per share amounts)

	As of September 30, 2023	As of December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 101,842	$ 158
Short-term investments in marketable securities	—	32,187
Prepaid expenses and other current assets	974	447
Total current assets	102,816	32,792
Operating lease right-of-use assets	109	212
Deposits	—	27
Total assets	$ 102,925	$ 33,031
Liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable	$ 1,702	$ 1,125
Accrued expenses and other current liabilities	3,244	4,021
Operating lease liabilities	103	133
Total current liabilities	5,049	5,279
Long-term liabilities		
Operating lease liabilities, less current portion	—	78
Series A common stock warrant liability	1	—
Redeemable convertible preferred stock warrant liability	—	4
Total liabilities	5,050	5,361
Commitments and contingencies (Note 7)		
Redeemable convertible preferred stock: $0.0001 par value; no shares and 1,373,810,170 shares authorized at September 30, 2023 and December 31, 2022, respectively; no shares and 1,373,730,625 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively; liquidation value of $232,963 at December 31, 2022	—	214,620
Stockholders' equity (deficit):		
Undesignated preferred stock, $0.0001 par value; 10,000,000 shares and no shares authorized at September 30, 2023 and December 31, 2022, respectively; no shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	—	—
Common stock, $0.0001 par value; no shares and 1,608,370,000 shares authorized at September 30, 2023 and December 31, 2022, respectively; no shares and 185,084 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	—	1
Series A common stock, $0.0001 par value; 500,000,000 shares and no shares authorized at September 30, 2023 and December 31, 2022, respectively; 21,375,402 shares and no shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	2	—
Series B common stock, $0.0001 par value; 15,000,000 shares and no shares authorized at September 30, 2023 and December 31, 2022, respectively; 1,520,490 and no shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	—	—
Additional paid-in capital	339,466	35,001
Accumulated other comprehensive loss	—	(84)
Accumulated deficit	(241,593)	(221,868)
Total stockholders' equity (deficit)	97,875	(186,950)
Total liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)	$ 102,925	$ 33,031

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

SAGIMET BIOSCIENCES INC.

CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Unaudited)
(in thousands, except for share and per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue:				
License revenue	$ 2,000	$ —	$ 2,000	$ —
Total revenue	2,000	—	2,000	—
Operating expenses:				
Research and development	4,958	6,838	14,121	19,072
General and administrative	4,494	848	9,153	4,595
Total operating expenses	9,452	7,686	23,274	23,667
Loss from operations	(7,452)	(7,686)	(21,274)	(23,667)
Other income, net:				
Change in fair value of redeemable convertible preferred stock warrant liability	—	1	(1)	3
Change in fair value of Series A common stock warrant liability	4	—	4	—
Interest income and other	1,095	218	1,546	360
Total other income, net	1,099	219	1,549	363
Net loss	$ (6,353)	$ (7,467)	$ (19,725)	$ (23,304)
Other comprehensive (loss) gain:				
Net unrealized (loss) gain on investments in marketable securities	—	(56)	84	(162)
Total other comprehensive (loss) gain	—	(56)	84	(162)
Comprehensive loss	$ (6,353)	$ (7,523)	$ (19,641)	$ (23,466)
Net loss per share attributable to common stockholders, basic and diluted	$ —	$ (40.34)	$ —	$ (126.13)
Weighted-average shares outstanding used in computing net loss per share attributable to common stockholders, basic and diluted	—	185,084	—	184,756
Net loss per share attributable to Series A and Series B common stockholders, basic and diluted	$ (0.35)	$ —	$ (3.22)	$ —
Weighted-average shares outstanding used in computing net loss per share attributable to Series A and Series B common stockholders, basic and diluted	18,194,682	—	6,131,541	—

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

SAGIMET BIOSCIENCES INC.

CONDENSED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)

(Unaudited)
(in thousands, except share amounts)

	Redeemable Convertible Preferred Stock		Common Stock		Series A Common Stock		Series B Common Stock		Additional Paid-in	Accumulated	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	(Loss) Income	(Deficit) Equity
Balance at January 1, 2023	1,373,730,625	$ 214,620	185,084	$ 1	—	$ —	—	$ —	$ 35,001	$ (221,868)	$ (84)	$ (186,950)
Net loss	—	—	—	—	—	—	—	—	—	(6,587)	—	(6,587)
Unrealized gain on investments in marketable securities	—	—	—	—	—	—	—	—	—	—	71	71
Stock-based compensation expense	—	—	—	—	—	—	—	—	767	—	—	767
Balance at March 31, 2023	1,373,730,625	$ 214,620	185,084	$ 1	—	$ —	—	$ —	$ 35,768	$ (228,455)	$ (13)	$ (192,699)
Net loss	—	—	—	—	—	—	—	—	—	(6,785)	—	(6,785)
Exercise of common stock warrants	—	—	25,231	—	—	—	—	—	—	—	—	—
Unrealized gain on investments in marketable securities	—	—	—	—	—	—	—	—	—	—	13	13
Stock-based compensation expense	—	—	—	—	—	—	—	—	1,057	—	—	1,057
Balance at June 30, 2023	1,373,730,625	$ 214,620	210,315	$ 1	—	$ —	—	$ —	$ 36,825	$ (235,240)	$ —	$ (198,414)
Net loss	—	—	—	—	—	—	—	—	—	(6,353)	—	(6,353)
Conversion of Redeemable Convertible Preferred Stock to Series A and Series B Common Stock	(1,373,730,625)	(214,620)	—	—	15,117,912	1	1,520,490	—	214,619	—	—	214,620
Reclass of Common Stock to Series A Common Stock	—	—	(210,315)	(1)	210,315	1	—	—	—	—	—	—
Sale of Series A Common Stock in public offering, net of issuance costs of $10,267	—	—	—	—	6,026,772	—	—	—	86,161	—	—	86,161
Issuance of Series A Common Stock upon exercise of stock options	—	—	—	—	7,614	—	—	—	6	—	—	6
Exercise of common stock warrants	—	—	—	—	12,789	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	—	—	—	—	1,855	—	—	1,855
Balance at September 30, 2023	—	$ —	—	$ —	21,375,402	$ 2	1,520,490	$ —	$ 339,466	$ (241,593)	$ —	$ 97,875

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

SAGIMET BIOSCIENCES INC.

CONDENSED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT) – (Continued)

(Unaudited)
(in thousands, except share amounts)

	Redeemable convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount				
Balance at January 1, 2022	1,373,730,625	$ 214,620	183,457	$ 1	$ 33,109	$ (191,369)	$ —	$ (158,259)
Net loss	—	—	—	—	—	(8,735)	—	(8,735)
Exercise of stock options	—	—	1,627	—	12	—	—	12
Stock-based compensation expense	—	—	—	—	387	—	—	387
Balance at March 31, 2022	1,373,730,625	$ 214,620	185,084	$ 1	$ 33,508	$ (200,104)	$ —	$ (166,595)
Net loss	—	—	—	—	—	(7,102)	—	(7,102)
Unrealized loss on investments in marketable securities	—	—	—	—	—	—	(106)	(106)
Stock-based compensation expense	—	—	—	—	383	—	—	383
Balance at June 30, 2022	1,373,730,625	$ 214,620	185,084	$ 1	$ 33,891	$ (207,206)	$ (106)	$ (173,420)
Net loss	—	—	—	—	—	(7,467)	—	(7,467)
Unrealized loss on investments in marketable securities	—	—	—	—	—	—	(56)	(56)
Stock-based compensation expense	—	—	—	—	389	—	—	389
Balance at September 30, 2022	1,373,730,625	$ 214,620	185,084	$ 1	$ 34,280	$ (214,673)	$ (162)	$ (180,554)

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

SAGIMET BIOSCIENCES INC.

CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)
(in thousands)

	Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net loss	$ (19,725)	$ (23,304)
Adjustments to reconcile net loss to net cash used in operating activities:		
Accretion of discount on marketable securities, net	(39)	(129)
Non-cash lease expense	103	97
Stock-based compensation expense	3,679	1,159
Change in fair value of redeemable convertible preferred stock warrant liability	1	(3)
Change in fair value of Series A common stock warrant liability	(4)	—
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(390)	1,326
Accounts payable and accrued liabilities	(200)	3,920
Operating lease liabilities	(108)	(103)
Net cash used in operating activities	(16,683)	(17,037)
Cash flows from investing activities:		
Purchases of marketable securities	—	(41,446)
Sales of marketable securities	32,200	4,000
Net cash provided (used in) by investing activities	32,200	(37,446)
Cash flows from financing activities:		
Proceeds from initial public offering, net of underwriters' commissions and discounts	86,161	—
Payment of deferred financing costs	—	(30)
Proceeds from exercise of stock options	6	12
Net cash provided by (used in) financing activities	86,167	(18)
Net increase (decrease) in cash and cash equivalents	101,684	(54,501)
Cash and cash equivalents at beginning of period	158	56,731
Cash and cash equivalents at end of period	$ 101,842	$ 2,230

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

SAGIMET BIOSCIENCES INC.

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

1. Organization and description of business

Overview

Sagimet Biosciences Inc. (the Company) was incorporated in Delaware on December 19, 2006, as 3-V Biosciences, Inc. and is headquartered in San Mateo, California. The Company changed its name from 3-V Biosciences, Inc. to Sagimet Biosciences Inc. in August 2019. The Company is a clinical-stage biopharmaceutical company developing novel therapeutics called fatty acid synthase (FASN) inhibitors that target dysfunctional metabolic pathways in diseases resulting from the overproduction of the fatty acid, palmitate.

Reverse stock split

A one-for-79.4784 reverse stock split of the Company's issued and outstanding common stock was effected on July 7, 2023. Stockholders entitled to fractional shares as a result of the reverse stock split received a cash payment in lieu of receiving fractional shares. Accordingly, all share and per share amounts for all periods presented in the accompanying financial statements and notes thereto have been retroactively adjusted, where applicable, to reflect the effects of the reverse stock split. Shares of common stock underlying outstanding stock options and common stock warrants were proportionately reduced and the respective exercise prices, if applicable, were proportionately increased in accordance with the terms of the agreements governing such securities. Shares of common stock reserved for issuance upon the conversion of the Company's preferred stock were proportionately reduced and the respective conversion prices were proportionately increased.

Initial public offering

On July 18, 2023, the Company completed its initial public offering (IPO), in which it issued and sold 5,312,500 shares of Series A common stock at a price to the public of $16.00 per share. The aggregate gross proceeds of the IPO were $96.4 million, inclusive of an additional 714,272 shares of Series A common stock sold upon the partial exercise of the underwriters' purchase option. The Company received approximately $86.2 million in net proceeds after deducting underwriting discounts, commissions, and offering expenses.

In connection with the IPO, the Company's outstanding redeemable convertible preferred stock automatically converted into 15,117,912 shares of Series A common stock and 1,520,490 shares of Series B common stock. The rights of the holders of Series A common stock and Series B common stock are substantially identical, except with respect to voting and conversion. Each share of Series A common stock is entitled to one vote and shares of Series B common stock are non-voting, except as may be required by law. Each share of Series B common stock may be converted at any time into one share of Series A common stock at the option of its holder, subject to the ownership limitations provided for in the Company's eleventh amended and restated certificate of incorporation (the Charter). See Note 9.

Reclassification of common stock

On July 18, 2023, each share of the Company's common stock issued and outstanding became reclassified as one share of Series A common stock. Any stock certificate that immediately prior to July 18, 2023 represented shares of the Company's common stock was deemed to represent shares of Series A common stock, without the need for surrender or exchange thereof.

Risks, uncertainties and going concern

The Company is subject to certain risks and uncertainties, including, but not limited to changes in any of the following areas that the Company believes could have a material adverse effect on future financial position or results of operations: the availability of future financing; the ability to obtain regulatory approval and market acceptance of, and reimbursement for, the Company's drug candidates if approved; the performance of third-party clinical research organizations and manufacturers; protection of the intellectual property; litigation or claims against the Company based on intellectual property, patent, product, regulatory or other factors; and the

Company's ability to attract and retain employees necessary to support commercial success. In addition, significant changes in the biotechnology industry or the approval of competitive products or therapies could adversely affect the Company's development and operating results.

The Company will require substantial additional capital to fund its research and development and ongoing operating expenses. As of September 30, 2023, the Company has relied on public and private equity and debt financings, including its July 2023 IPO, to fund its operations. The Company has incurred net losses and negative cash flows from operations since inception, including net losses of $19.7 million for the nine months ended September 30, 2023 and $23.3 million for the nine months ended September 30, 2022. For the nine months ended September 30, 2023, and 2022, the Company had negative cash flows from operations of $16.7 million and $17.0 million, respectively. As of September 30, 2023, the Company had cash and cash equivalents of $101.8 million. The Company expects to incur additional losses and negative cash flows from operations for the next twelve months.

As of November 13, 2023, the issuance date of these unaudited condensed financial statements, the Company expects that its cash and cash equivalents as of September 30, 2023 will be sufficient to fund its operating expenses and capital expenditure requirements through at least 12 months from the issuance of these condensed financial statements. In the future, the Company may need to raise additional funds until it is able to generate sufficient revenues to fund its development activities. The Company's future operating activities, coupled with its plans to raise capital or issue debt financing, may provide additional liquidity in the future, however these actions are not solely within the control of the Company and the Company is unable to predict the outcome of these actions to generate the liquidity ultimately required.

Impact of COVID-19 pandemic on financial statements

We experienced modest delays in our development activities as a result of the COVID-19 pandemic, primarily due to temporary closures of certain clinical sites that delayed patient enrollment in our FASCINATE-2 trial. Although the public health emergency declarations related to COVID-19 in the United States ended on May 11, 2023, the extent to which the COVID-19 pandemic will continue to impact our operations or those of our consultants and collaborators, will depend on future developments, including the global macroeconomic effects of the virus. Economic recessions, increased inflation and/or interest rates, and any disruptions to our operations or workforce availability, including those brought on by the continued effects of the COVID-19 pandemic or a similar health epidemic may have a negative effect on our operating results.

Unaudited interim financial information

The accompanying condensed balance sheet as of September 30, 2023, the condensed statements of operations and comprehensive loss for the three and nine months ended September 30, 2023 and 2022, the condensed statements of redeemable convertible preferred stock and stockholders' equity (deficit) for the three and nine months ended September 30, 2023 and 2022, the condensed statements of cash flows for the nine months ended September 30, 2023 and 2022, and the related disclosures are unaudited. These unaudited condensed financial statements include all adjustments necessary, consisting of only normal recurring adjustments, to fairly state the financial position and the results of the Company's operations and cash flows for interim periods in accordance with accounting principles generally accepted in the United States of America (GAAP). Interim period results are not necessarily indicative of results of operations or cash flows for a full year or any subsequent interim period. The condensed balance sheet as of December 31, 2022 has been derived from the audited financial statements of the Company. The accompanying unaudited condensed financial statements should be read in conjunction with the Company's audited financial statements included in the final prospectus filed pursuant to Rule 424(b)(4) under the Securities Act of 1933, as amended (Securities Act) with the Securities and Exchange Commission (SEC) on July 17, 2023.

2. Summary of significant accounting policies

Basis of presentation

The condensed financial statements and accompanying notes have been prepared in accordance with GAAP and the requirements of the Securities and Exchange Commission (SEC) for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by GAAP can be condensed or omitted. These condensed financial statements have been prepared on the same basis as the annual financial statements included in the final prospectus filed pursuant to Rule 424(b)(4) under the Securities Act with the SEC on July 17, 2023.

In the Company's opinion, the information furnished in these condensed financial statements reflects all adjustments, all of which are of a normal and recurring nature necessary for a fair presentation of the financial position and results of operations for the reported interim periods. The Company considers events or transactions that occur after the balance sheet date but before the financial statements are issued to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. The results of operations for interim periods are not necessarily indicative of results to be expected for the full year or any other interim period.

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 as of the date of the financial statements and reported amounts of expenses during the reporting period. Such estimates include accruals of research and development expenses, accrued costs for services rendered in connection with third-party contractor clinical trial activities, preferred stock, common stock and stock option valuations and stock-based compensation. On an ongoing basis, the Company evaluates its estimates and judgments, which are based on historical and anticipated results and trends and on various other assumptions that management believes to be reasonable under the circumstances. Actual results could differ from those estimates.

Significant accounting policies

The Company's significant accounting policies are disclosed in the audited financial statements for the year ended December 31, 2022, and the unaudited financial statements as of March 31, 2023, filed with the SEC as part of the final prospectus filed pursuant to Rule 424(b)(4) under the Securities Act with the SEC on July 17, 2023. Since the date of those financial statements, there have been no changes to the Company's significant accounting policies except as disclosed below in recently adopted accounting pronouncements.

Marketable securities

The Company classifies its marketable debt securities as available-for-sale and records such assets at estimated fair value in the balance sheets. The Company adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses of Financial Instruments* on January 1, 2023. Marketable debt securities for which the estimated fair value is below amortized cost are evaluated for credit impairment. Credit impairment is recorded through the unaudited condensed statements of operations via an allowance for credit losses account, and any remaining unrealized gains and losses are reported as a component of other comprehensive income (loss) within the unaudited condensed statements of operations and comprehensive loss and as a separate component of stockholders' equity (deficit). The Company classifies marketable securities with remaining maturities greater than three months but less than one year as short-term investments, and those with remaining maturities greater than one year are classified as long-term investments. For all marketable securities which the estimated fair value was below amortized cost as of December 31, 2022, the decline in fair value was not driven by credit impairment.

The Company had no short-term investments in marketable securities as of September 30, 2023.

Deferred financing costs

Deferred financing costs, consisting of legal, accounting and other fees and costs relating to the Company's IPO are capitalized and recorded in the accrued expenses and other current liabilities in the condensed balance sheets. Upon closing of the IPO in July 2023, all deferred offering costs were reclassified to additional paid-in-capital in the condensed statements of operations and comprehensive loss, representing a reduction in IPO proceeds.

On March 21, 2022, the Company withdrew its prior Registration Statement on Form S-1 initially filed with the SEC on April 16, 2021. Concurrently, all of the deferred financing costs of $1.4 million capitalized as of December 31, 2021 were expensed within operating expenses in the unaudited condensed statement of operations and comprehensive loss for the nine months ended September 30, 2022.

Revenue recognition

The Company enters into collaboration and licensing arrangements that generally contain multiple elements or deliverables, which may include (i) licenses to the Company's technology, (ii) research and development activities performed for the collaboration partner, (iii) participation on joint steering committees (JSCs), and (iv) the manufacturing of clinical or preclinical material. Payments pursuant to these arrangements include milestone payments upon achieving significant development events, research and development reimbursements, sales milestones, and royalties on future drug sales. Variable consideration is constrained until it is probable that the revenue is not at a significant risk of reversal in a future period.

In determining the appropriate amount of revenue to be recognized for the components of the arrangements that are within the scope of Accounting Standards Codification, Topic 606, *Revenue from Contracts with Customers* (ASC 606), the Company performs the following steps: (i) identification of the promised goods or services in the contract within the scope of ASC 606; (ii) determination of whether the promised goods or services are performance obligations including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation. As part of the accounting for these arrangements, the Company must use significant judgment to determine: a) the number of performance obligations based on the determination under step (ii) above; b) the transaction price under step (iii) above; c) the stand-alone selling price for each performance obligation identified in the contract for the allocation of transaction price in step (iv) above; and d) the measure of progress in step (v) above. The Company uses judgment to determine whether milestones or other variable consideration, except for royalties, should be included in the transaction price as described further below.

At the inception of each arrangement that includes milestone payments, the Company evaluates whether the milestones are considered probable of being achieved and estimates the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant revenue reversal would not occur, the associated milestone value is included in the transaction price. Milestone payments that are not within the control of the Company or the licensee, such as regulatory approvals, are not considered probable of being achieved until those approvals are received. At the end of each subsequent reporting period, the Company reevaluates the probability of achievement of all milestones subject to constraint and, if necessary, adjusts its estimate of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis, which would affect revenues and earnings in the period of adjustment.

For arrangements that include sales-based royalties or milestone payments, for which the license is deemed to be the predominant item, the Company recognizes revenue at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied).

In January 2022, Ascletis BioScience Co. Ltd. (Ascletis) initiated dosing of a Phase 3 trial for recurrent glioblastoma multiforme (GBM), potentially triggering a $2.0 million development milestone payment, net of applicable taxes, under the license agreement. The parties were in discussions regarding the form and amount of consideration related to this milestone until July 2023, at which time the Company concluded that the risk of reversal was no longer present, resulting in revenue recognition of $2.0 million. In August 2023, the Company received a $1.7 million milestone payment recorded as license revenue in the condensed statements of operations and comprehensive loss (representing the $2.0 million development milestone payment, net of applicable taxes) from Ascletis.

Concentration of credit risk

Financial instruments that potentially subject the Company to concentration of credit risk consist of cash, cash equivalents and marketable securities.

Emerging growth company status

The Company is an emerging growth company (EGC) as defined in the Jumpstart Our Business Startups Acts of 2012, as amended (the JOBS Act), and may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not EGCs. The Company may take advantage of these exemptions until it is no longer an EGC under Section 107 of the JOBS Act and has elected to use the extended transition period for complying with new or revised accounting standards. As a result of this election, the Company's financial statements may not be comparable to companies that comply with public company Financial Accounting Standards Board (FASB) standards' effective dates.

Recently adopted accounting pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses of Financial Instruments*, which, together with subsequent amendments, amends the requirement on the measurement and recognition of expected credit losses for financial assets held. ASU 2016-13 is effective for the Company for the annual periods beginning after December 15, 2022, including interim periods within those fiscal years, with early adoption permitted. The Company adopted ASU 2016-13 on January 1, 2023, using the modified retrospective approach, and no cumulative effect adjustment to accumulated deficit was needed as of the adoption date.

New accounting pronouncements not yet adopted

In August 2020, the FASB issued ASU No. 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 address issues identified as a result of the complexity associated with applying GAAP for certain financial instruments with characteristics of liabilities and equity. This amendment is effective for fiscal years beginning after December 15, 2023. The Company is currently evaluating the potential impact on its financial statements.

3. Fair value measurements and fair value of financial instruments

The authoritative guidance on fair value measurements establishes a three-tier fair value hierarchy for disclosure of fair value measurements as follows:

***Level 1*—**Quoted prices in active markets for identical assets or liabilities. The Company's deposits in a money market fund are Level 1 financial instruments.

***Level 2*—**Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Company's short-term investments including commercial paper, corporate debt and U.S. Treasury securities are Level 2 financial instruments.

***Level 3*—**Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The Company's Series A common stock warrant liability (Series A Common Stock Warrant Liability) and redeemable convertible preferred stock warrant liability (Redeemable Convertible Preferred Stock Warrant Liability) are Level 3 financial instruments.

As of September 30, 2023 and December 31, 2022, financial assets measured at fair value on a recurring basis consist of cash and cash equivalents. The carrying amount of cash and cash equivalents was $101.8 million and $0.2 million as of September 30, 2023 and December 31, 2022, respectively, which approximates the fair value and was determined based upon Level 1 inputs. The fair value of short-term investments is based upon market prices quoted on the last day of the fiscal period or other observable market inputs. The Company obtains pricing information from its investment manager and generally determines the fair value of investment securities using standard observable inputs, including reported trades, broker/dealer quotes, bids and/or offers.

The carrying values of the Company's accounts payable and accrued expenses and other current liabilities approximate their fair values due to the short-term nature of these liabilities.

Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires management to make judgments and consider factors specific to the asset or liability.

The Company's Level 3 liabilities that are measured at fair value on a recurring basis consists of the Series A Common Stock Warrant Liability and the Redeemable Convertible Preferred Stock Warrant Liability.

Marketable securities, all of which are classified as available-for-sale securities, consisted of the following (in thousands):

	As of December 31, 2022			
	Amortized cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Commercial paper	$ 15,950	$ —	$ —	$ 15,950
Corporate debt securities	12,286	—	(65)	12,221
U.S. Treasury securities	4,035	—	(19)	4,016
Total	$ 32,271	$ —	$ (84)	$ 32,187

There were no investments in marketable securities as of September 30, 2023.

The following tables set forth the Company's financial instruments that were measured at fair value on a recurring basis by level within the fair value hierarchy (in thousands):

	September 30, 2023			
	Total fair value	Level 1	Level 2	Level 3
Liabilities:				
Series A Common Stock Warrant Liability	$ 1	$ —	$ —	$ 1

	December 31, 2022			
	Total fair value	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents - money market funds	$ 38	$ 38	$ —	$ —
Commercial paper	15,950	—	15,950	—
Corporate debt securities	12,221	—	12,221	—
U.S. Treasury securities	4,016	—	4,016	—
Total	$ 32,225	$ 38	$ 32,187	$ —
Liabilities:				
Redeemable Convertible Preferred Stock Warrant Liability	$ 4	$ —	$ —	$ 4

The following tables provide a summary of changes in the estimated fair value of the financial instruments using significant Level 3 inputs (in thousands):

Balance - January 1, 2023	$ 4
Change in fair value of Redeemable Convertible Preferred Stock Warrant Liability	1
Change in fair value of Series A Common Stock Warrant Liability	(4)
Balance - September 30, 2023	$ 1
Balance - January 1, 2022	$ 7
Change in fair value of Redeemable Convertible Preferred Stock Warrant Liability	(3)
Balance - December 31, 2022	$ 4

During the periods presented, the Company has not changed the manner in which it values liabilities that are measured at estimated fair value using Level 3 inputs. There were no transfers within the hierarchy during the periods presented.

Redeemable Convertible Preferred Stock Warrant Liability and Series A Common Stock Warrant Liability

In connection with a note payable entered into on April 10, 2015, which was repaid in full in May 2019, the Company issued a warrant to purchase 79,545 shares of Series D redeemable convertible preferred stock. See Note 9. The Company completed its IPO on July 18, 2023. Subsequently, pursuant to the terms of the warrant, the warrant was converted into a warrant to purchase 1,000

shares of Series A common stock and the expiration date was automatically extended until July 18, 2026, the third anniversary date of the closing of the Company's IPO. The exercise was deemed a cashless exercise.

The Company estimates the fair value of the Series A Common Stock Warrant Liability and the Redeemable Convertible Preferred Stock Warrant Liability using an option pricing model and assumptions that are based on the individual characteristics of the warrants on the valuation date, Series A common stock market price, as well as assumptions for fair value of the underlying redeemable convertible preferred stock, expected volatility, expected life, dividends and risk-free interest rate.

As of September 30, 2023, the fair value of the Series A Common Stock Warrant Liability was determined to be $1.4 thousand assuming a volatility rate of 91.5%, an expected term of 2.80 years, no dividends, and a risk-free interest rate of 4.87%. As of December 31, 2022, the fair value of the Redeemable Convertible Preferred Stock Warrant Liability was determined to be $4.0 thousand assuming a volatility rate of 97.3%, an expected term of 2.28 years, no dividends, and a risk-free interest rate of 4.36%.

For the change in fair value of the Series A Common Stock Warrant Liability, the Company recorded other income of $4.0 thousand for both the three and nine months ended September 30, 2023, respectively, in its unaudited condensed statement of operations and comprehensive loss. For the change in fair value of the Redeemable Convertible Preferred Stock Warrant Liability, the Company recorded other expense of $1.0 thousand for the nine months ended September 30, 2023, and other income of $1.0 thousand and $3.0 thousand for the three and nine months ended September 30, 2022, respectively, in its unaudited condensed statement of operations and comprehensive loss.

4. Prepaid expenses and other current assets

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

	As of September 30, 2023	As of December 31, 2022
Prepaid insurance	$ 865	$ 61
Prepaid clinical expenses	32	352
Other	77	34
Total	$ 974	$ 447

5. Accrued expenses and other current liabilities

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

	As of September 30, 2023	As of December 31, 2022
Accrued clinical costs	$ 2,239	$ 3,162
Employees' compensation	689	636
Accrued research	221	—
Accrued preclinical costs	—	166
Other	95	57
Total	$ 3,244	$ 4,021

6. Related parties

Ascletis BioScience Co. Ltd

In January 2019, the Company entered into a license agreement that became effective in February 2019 with Ascletis, a subsidiary of Ascletis Pharma Inc. (Ascletis Pharma), biotechnology company incorporated in the Cayman Islands and headquartered in Hangzhou, China and a Company investor. The parties entered into this agreement with the intention to develop, manufacture, and commercialize the Company's proprietary FASN inhibitor, denifanstat. Under the terms of the license agreement, the Company

granted Ascletis and its affiliates an exclusive, royalty-bearing sublicensable right and license under the Company's intellectual property to develop, manufacture, commercialize and otherwise exploit denifanstat and other products containing denifanstat-related compounds in Greater China, consisting of the People's Republic of China, Hong Kong, Macau and Taiwan.

The Company will bear all expenses related to development activities in Greater China as part of a global Phase 2 trial, except for clinical operations and regulatory staff provided by Ascletis. The Company conducted all development activities in connection with the FASCINATE-1 Phase 2 clinical trial in the United States and Greater China at its sole expense, except for certain in-kind contributions by Ascletis in Greater China. Ascletis is solely responsible for all development activities in connection with obtaining and maintaining regulatory approvals for denifanstat in Greater China. The Company received $28.1 thousand as reimbursement pursuant to the license agreement for Greater China patent prosecution costs during the nine months ended September 30, 2022. The Company did not receive any reimbursements pursuant to the license agreement for Greater China patent prosecution costs during the nine months ended September 30, 2023.

The Company is eligible to receive development and commercial milestone payments from Ascletis in aggregate of up to $122.0 million as well as tiered royalties ranging from percentages in the high single digits to mid-teens on future net sales of denifanstat, which is referred to as ASC40 in Greater China. Ascletis Pharma, through a subsidiary, also led the Series E preferred stock financing in February 2019. As noted below, the Company received $2.0 million related to a development milestone in August, 2023.

This license and Phase 2 research and development services components of this agreement are representative of a relationship with a customer and therefore are subject to ASC 606. In January 2022, Ascletis initiated dosing of a Phase 3 trial for recurrent GBM, potentially triggering a $2.0 million development milestone payment, net of applicable taxes, under the license agreement. The parties were in discussions regarding the form and amount of consideration related to this milestone until July 2023, at which time the Company concluded that the risk of reversal was no longer present, resulting in revenue recognition of $2.0 million. In August 2023, the Company received a $1.7 million milestone payment (representing the $2.0 million development milestone payment, net of applicable taxes which are recorded in general and administrative in the condensed statement of operations and comprehensive loss) from Ascletis.

There were no payments made to Ascletis during the nine months ended September 30, 2023. The Company paid Ascletis under their manufacturing arrangement $4.0 thousand during the nine months ended September 30, 2022.

Assignment and Assumption Agreement

In July 2023, the Company entered into an Assignment and Assumption Agreement with Ascletis and Ascletis' affiliate Gannex under which Ascletis, while remaining responsible for performance under the license agreement, assigned all of its rights and obligations under the license agreement to Gannex and Gannex assumed such rights and obligations, effective as of October 2019.

7. Commitments and contingencies

Facility lease agreement

On March 12, 2019, the Company executed a 38-month non-cancelable operating lease agreement for 3,030 square feet of office space for its headquarters facility which commenced April 1, 2019. The lease provides for monthly lease payments of approximately $12 thousand with annual increases. On December 20, 2021, the lease agreement was amended to extend the term of the lease through June 2024. The Company has accounted for the lease as an operating lease.

Operating lease cost for the three months ended September 30, 2023, and 2022 was $37.0 thousand and $38.0 thousand, respectively, and for the nine months ended September 30, 2023 and 2022 was $111.0 thousand and $113.0 thousand, respectively.

The following are schedules by year of future maturities of the Company's operating lease liabilities (in thousands):

	September 30, 2023
Remainder of 2023	$ 27
2024	79
Total lease payments	106
Less: interest	(3)
Total	$ 103

	December 31, 2022
2023	$ 157
2024	80
Total lease payments	237
Less: interest	(26)
Total	$ 211

Supplemental cash flow information related to leases was as follows (in thousands):

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 118	$ 118

The weighted-average remaining lease term and discount rate related to the Company's lease liabilities as of September 30, 2023 and December 31, 2022 were 0.75 years and 7% and 1.2 years and 7%, respectively. The Company's lease discount rate is based on estimates of its incremental borrowing rate, as the discount rate implicit in the Company's lease cannot be readily determined. As the Company does not have any outstanding debt, the Company estimates the incremental borrowing rate based on its estimated credit rating and available market information.

Guarantees and indemnifications

In the normal course of business, the Company enters into agreements that contain a variety of representations and provide for general indemnification. The Company's exposure under these agreements is unknown because it involves claims that may be made against the Company in the future. In addition, the Company has entered into indemnification agreements with members of its board of directors and its executive officers that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers. To date, the Company has not paid any claims or been required to defend any action related to its indemnification obligations. As of September 30, 2023, the Company does not have any material indemnification claims that were probable or reasonably possible and consequently has not recorded related liabilities.

Legal

The Company is not party to any material legal proceedings at this time. From time to time, the Company may become involved in various legal proceedings that arise in the ordinary course of its business.

8. Redeemable convertible preferred stock

Prior to the IPO, the authorized, issued and outstanding shares of the redeemable convertible preferred stock, liquidation preferences and carrying values were as follows as of December 31, 2022 (in thousands, except share numbers):

	December 31, 2022			
	Authorized Shares	Issued and Outstanding Shares	Liquidation Preference	Carrying Value
Series A	23,301	23,301	$ 233	$ 232
Series B	3,217	3,217	37	37
Series B-1	8,827,439	8,827,439	7,768	7,258
Series C	22,732,250	22,732,250	20,004	17,909
Series D	24,509,954	24,430,409	21,499	19,833
Series A'	720,199	720,199	—	—
Series B'	1,953,304	1,953,304	—	—
Series B-1'	14,001,243	14,001,243	—	2,780
Series C'	1,037	1,037	—	—
Series D'	3,475,426	3,475,426	—	739
Series D-1	51,331,148	51,331,148	45,171	26,894
Series E	631,638,725	631,638,725	58,231	58,496
Series F	614,592,927	614,592,927	80,020	80,442
Total	1,373,810,170	1,373,730,625	$ 232,963	$ 214,620

In connection with the IPO, all of the Company's outstanding redeemable convertible preferred stock automatically converted into 15,117,912 shares of Series A common stock and 1,520,490 shares of Series B common stock.

9. Stockholders' equity (deficit)

Common stock

Per the Charter, the total number of shares of capital stock authorized for issuance is 500,000,000 shares of Series A common stock, 15,000,000 shares of Series B common stock and 10,000,000 shares of undesignated preferred stock. Holders of Series A common stock are entitled to one vote and Series B common stock are not entitled to vote. Upon the voluntary or involuntary liquidation, dissolution or winding up of the Company, the net assets of the Company will be distributed pro rata to the holders of Series A common stock and Series B common stock. Each share of Series B common stock is convertible, at any time at the option of the holder, into one share of Series A common stock, unless that holder would beneficially own a number of Series A common stock in excess of 4.99% of the total number of shares of Series A common stock then issued and outstanding. On July 18, 2023, upon the Company's IPO, each share of the Company's common stock issued and outstanding became reclassified as one share of Series A common stock (see Note 1). The Company's reserved shares of common stock are as follows:

	As of September 30, 2023	As of December 31, 2022
Options to purchase Series A common stock	3,766,505	3,190,450
Options authorized and available for issuance	2,585,968	181,191
Warrant to purchase Series A Common Stock	1,000	—
Redeemable convertible preferred stock	—	1,322,399,477
Series D redeemable convertible preferred stock warrant	—	79,545
Warrants to purchase common stock	—	40,268
Total	6,353,473	1,325,890,931

Redeemable convertible preferred stock warrant liability and Series A Common Stock Warrant Liability

In connection with a note payable entered into on April 10, 2015, which was repaid in full in May 2019, the Company issued a warrant to purchase 79,545 shares of Series D redeemable convertible preferred stock with an exercise price of $0.88 per share. The warrant has a term of 10 years and are exercisable in whole or in part, at any time on or before the expiration date of April 10, 2025. At the time of issuance, the fair value of the Redeemable Convertible Preferred Stock Warrant Liability was determined using an option pricing model and assumptions that are based on the individual characteristics of the warrant on the valuation date, as well as assumptions for fair value of the underlying redeemable convertible preferred stock, expected volatility, expected life, dividends and risk-free interest rate.

The Company completed its IPO on July 18, 2023. Subsequently, the Redeemable Convertible Preferred Stock Warrant was converted to a warrant to purchase 1,000 shares of Series A common stock at an exercise price of $69.94 per share and the expiration date was automatically extended until July 18, 2026, the third anniversary date of the closing of the Company's IPO. If the warrant has not been exercised prior to the expiration date, the warrant will be deemed to have been automatically exercised on the expiration date by cashless conversion.

The holder of the warrant has no voting rights, or other rights as a stockholder of the Company. The warrant is subject to adjustment in the event of any diluting dividends or distributions of the common stock, or any stock split, reverse stock split, recapitalization, reorganization or similar transaction. Upon any reclassification, exchange, substitution or other event, the number and or class of the securities and property that the holder would have received for the shares if this warrant had been issued immediately before such event will be adjusted.

Stock warrants

The following tables summarize the Company's outstanding Series A Common Stock Warrant, Common Stock warrants and redeemable convertible preferred stock warrants:

	As of September 30, 2023					
Issuance Date	Number of Warrant Shares	Exercise Price per Share	Expiration Date	Exercisable for	Fair Value on Issuance (in thousands)	Fair Value Recorded Against
April 2015	1,000	$ 69.94	July 2026	Series A Common	$ 68	Debt

	As of December 31, 2022					
Issuance Date	Number of Warrant Shares	Exercise Price per Share	Expiration Date	Exercisable for	Fair Value on Issuance (in thousands)	Fair Value Recorded Against
June 2013	26,846	$ 0.79	June 2023	Common	$ 339	Redeemable convertible preferred stock
January 2014	13,422	0.79	January 2024	Common	223	Redeemable convertible preferred stock
April 2015	79,545	0.88	April 2025	Series D	68	Debt

10. Stock-based compensation

In 2007, the Company adopted the 2007 Equity Incentive Plan (2007 Plan), as amended, which allowed for the granting of incentive stock options (ISOs) and non-statutory stock options (NSOs) to the employees, members of the Company's board of directors, and consultants of the Company.

In 2017, the 2007 Plan expired pursuant to its terms and the Company adopted the 2017 Equity Incentive Plan (2017 Plan) which allowed for the granting of ISOs and NSOs as well as stock appreciation rights, restricted stock awards, restricted stock units and other stock awards to employees, members of the Company's board of directors and consultants. ISOs could be granted only to Company's employees, including officers and directors who are also employees. NSOs could be granted to employees, directors and consultants.

In 2023, the 2023 Stock Option and Incentive Plan (2023 Plan), was adopted by the board of directors, approved by the Company's stockholders on July 4, 2023, and became effective on July 13, 2023. The 2023 Plan replaced the 2017 Plan. The 2023 Plan permits the granting of both incentive stock options to purchase Series A common stock under Section 422 of the Code and non-qualified stock options. On July 18, 2023, each share of the Company's common stock issued and outstanding became reclassified as one share of Series A common stock, therefore, options prior to the IPO were to purchase common stock, and after the IPO are to purchase Series A common stock. The number of shares initially reserved for issuance under the 2023 Plan was 2,585,968, which will automatically increase on January 1, 2024 and each January 1 thereafter, by (i) 4% of the outstanding number of shares of our Series A common stock on the immediately preceding December 31 or (ii) a lesser number of shares as determined by the compensation committee of the board of directors. As of September 30, 2023, 2,585,968 shares are available for future grant under the 2023 Plan.

Options under the 2023 Plan can be granted for periods of up to ten years and at prices no less than 100% of the estimated fair value of the shares on the date of grant as determined by the Company's board of directors, provided, however, that an ISO granted to a 10% stockholder does not have an exercise price that is less than 110% of the estimated fair value of the shares on the date of grant and shall not have a contractual term longer than five years.

The following table summarizes stock option transactions (in thousands, except share and per share data):

	Number of Shares Underlying Outstanding Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value
Outstanding, January 1, 2023	3,190,450	$ 7.10	8.1	$ 3,998
Options granted	585,919	13.51		
Options exercised	(7,614)	0.79		
Options cancelled	(498)	4.77		
Options expired	(1,752)	0.79		
Outstanding, September 30, 2023	3,766,505	$ 8.11	7.69	$ 17,737
Shares vested and exercisable as of September 30, 2023	1,784,725	$ 6.98	6.34	$ 10,206

The aggregate intrinsic value is calculated as the difference between the option exercise price and the estimated fair value of the underlying common stock.

Time-based options

The Company may award time-based options which vest and become exercisable, subject to the participant's continued employment or service through the applicable vesting date. Options granted have various vesting schedules including some that vest immediately and some that vest over four years.

The following table summarizes time-based stock option activity:

	Number of Shares Underlying Outstanding Options	Weighted-Average Exercise Price
Outstanding, January 1, 2023	2,570,708	$ 7.56
Options granted	585,919	13.51
Options exercised	(7,614)	0.79
Options cancelled	(498)	4.77
Options expired	(1,752)	0.79
Outstanding, September 30, 2023	3,146,763	$ 8.69
Shares vested and exercisable as of September 30, 2023	1,186,212	$ 14.42

The total fair value of the time-based shares vested during the nine months ended September 30, 2023 was $1.8 million. As of September 30, 2023, there was $12.0 million of total unrecognized compensation cost related to the awards. The cost is being recognized over a remaining weighted-average period of 2.4 years.

Performance-based options

The Company may award grants of performance-based options to eligible individuals. Performance-based options vest based on performance measures against predetermined objectives that could include successful completion of qualified equity offerings or announced topline results for clinical trials and positive clinical results over a specified performance period.

The total number of Series A common stock shares underlying outstanding options was 619,742 with a weighted-average exercise price of $6.38 as of December 31, 2022 and September 30, 2023, respectively. There were 598,513 shares vested and exercisable as of September 30, 2023.

The total fair value of the performance-based shares vested during the nine months ended September 30, 2023 was $11.1 thousand. As of the nine months ended September 30, 2023, there was $28.2 thousand of unrecognized compensation cost related to the awards. The cost is being recognized over a remaining weighted-average period of less than one year.

The Company has recorded aggregate stock-based compensation expense related to the issuance of stock option awards to employees and non-employees in the unaudited condensed statements of operations and comprehensive loss as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
General and administrative expense	$ 1,649	$ 220	$ 3,103	$ 663
Research and development expense	206	169	576	496
Total stock-based compensation expense	$ 1,855	$ 389	$ 3,679	$ 1,159

The expected term of the stock options represents the average of the contractual term of the options and the weighted-average expected vesting period. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The expected volatility rate was based on the historical volatilities of comparable companies in the Company's industry. The Company has never declared or paid any cash dividends and does not presently plan to pay cash dividends in the foreseeable future. Consequently, the Company used an expected dividend yield of zero.

The fair value of each award granted was estimated on the date of grant using the Black-Scholes option pricing model using the following assumptions:

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Expected volatility	89 - 91 %	88 - 90 %
Risk-free interest rate	3.6 %	2.3 - 3.0 %
Dividend yield	—	—
Expected term	5.0 - 7.0 years	5.4 - 7.0 years

Employee stock purchase plan

The 2023 Employee Stock Purchase Plan (the ESPP), was adopted by the board of directors on June 22, 2023, approved by the Company's stockholders on July 4, 2023 and became effective on July 13, 2023. A total of 215,497 shares of Series A common stock were initially reserved for issuance under this plan, which will automatically increase on January 1, 2024 and each January 1 thereafter through January 1, 2033, by the least of (i) 215,497 shares of Series A common stock, (ii) 1% of the outstanding number of shares of the Company's Series A common stock on the immediately preceding December 31 or (iii) such lesser number of shares of Series A common stock as determined by the administrator of the ESPP. During the nine months ended September 30, 2023, no shares of Series A common stock were issued under the 2023 ESPP.

11. Net loss per share attributable to common stockholders

The table below is the calculation of basic and diluted loss per share attributable to common, Series A common and Series B common stockholders (in thousands, except share and per share data):

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Numerator:				
Net loss attributable to common stockholders	$ —	$ (7,467)	$ —	$ (23,304)
Denominator:				
Weighted-average shares outstanding used in computing net loss per share attributable to common stockholders, basic and diluted	—	185,084	—	184,756
Net loss per share attributable to common stockholders, basic and diluted	$ —	$ (40.34)	$ —	$ (126.13)
Numerator:				
Net loss attributable to Series A and Series B common stockholders	$ (6,353)	$ —	$ (19,725)	$ —
Denominator:				
Weighted-average shares outstanding used in computing net loss per share attributable to Series A and Series B common stockholders, basic and diluted	18,194,682	—	6,131,541	—
Net loss per share attributable to Series A and Series B common stockholders, basic and diluted	$ (0.35)	$ —	$ (3.22)	$ —

The following outstanding shares of potentially dilutive securities were excluded from the computation of diluted net loss per share attributable to common, Series A common and Series B common stockholders for the periods presented because including them would have been antidilutive. On July 18, 2023, each share of the Company's common stock issued and outstanding became reclassified as one share of Series A common stock, therefore, options prior to the IPO were to purchase common stock, and after the IPO are to purchase Series A common stock.

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Options to purchase Series A common stock	3,766,505	2,198,675	3,766,505	2,198,675
Warrant to purchase Series A Common Stock	1,000	—	1,000	—
Redeemable convertible preferred stock	—	16,638,476	—	16,638,476
Warrants to purchase common stock	—	40,268	—	40,268
Warrant to purchase redeemable convertible preferred stock	—	79,545	—	79,545
Total	3,767,505	18,956,964	3,767,505	18,956,964

12. Income taxes

The provision for income taxes primarily relates to projected federal and state income taxes calculated on the projected taxable income for the period. To determine the quarterly provision for income taxes, the Company uses an estimated annual effective tax rate, which is generally based on expected annual income as well as statutory tax rates in the various jurisdictions in which the Company operates. In addition, the tax effects of certain significant or unusual items are recognized discretely in the quarter during which they occur and can be a source of variability in the effective tax rates from quarter to quarter.

As per ASC 740-270, the Company's interim tax provision is computed based on the estimated annual effective tax rate approach. The estimated annual effective tax rate approach is used to determine the tax related to ordinary income unless certain exceptions apply. The Company records a valuation allowance to reduce its deferred taxes to the amount it believes is more likely than not to be realized. In making such determination, the Company considers all available positive and negative evidence quarterly, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and recent financial performance. Forming a conclusion that a valuation allowance is not required is difficult when there is negative evidence such as cumulative losses in recent years. Based upon the Company's review of all positive and negative evidence, the Company continues to have a full valuation allowance on its deferred tax assets as of September 30, 2023.

The Company accounts for the uncertainty in income taxes by utilizing a comprehensive model for the recognition, measurement, presentation and disclosure in financial statements of any uncertain tax positions that have been taken or are expected to be taken on an income tax return. There have been no changes in the estimated uncertain positions or tax benefits recorded as of December 31, 2022.

13. Subsequent events

The Company has evaluated subsequent events for financial statement purposes occurring through November 13, 2023, the date when these financial statements are available to be issued and noted that there are no subsequent events requiring disclosure in these condensed financial statements.

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 in conjunction with our unaudited condensed financial statements and related notes included elsewhere in this Quarterly Report. This discussion and analysis and other parts of this Quarterly Report contain forward-looking statements based upon our current plans and expectations that involve risks, uncertainties and assumptions, such as statements regarding our plans, objectives, expectations, intentions and beliefs. Our actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this Quarterly Report. You should carefully read the "Risk Factors" section of this Quarterly Report to gain an understanding of the important factors that could cause actual results to differ materially from our forward-looking statements.

Overview

We are a clinical-stage biopharmaceutical company developing novel therapeutics called fatty acid synthase (FASN) inhibitors that target dysfunctional metabolic pathways in diseases resulting from the overproduction of the fatty acid, palmitate. Our lead drug candidate, denifanstat, is an oral, once-daily pill and selective first-in-class FASN inhibitor in development for the treatment of nonalcoholic steatohepatitis (NASH), for which there are no treatments currently approved in the United States or Europe. Denifanstat has been studied in over 600 people to date and we are currently testing it in our FASCINATE-2 Phase 2b clinical trial in NASH. The interim results, which were presented at the American Association for the Study of Liver Diseases (AASLD) meeting in November 2022, showed statistically significant improvements across key markers of disease in patients treated with denifanstat, including an approximately 34% reduction in liver fat and 67% responder rate (defined as reduction in liver fat by 30% or more) at 26 weeks as compared to baseline. These results are consistent with earlier findings from our FASCINATE-1 Phase 2 clinical trial and strengthen our belief that the topline liver biopsy results we expect to announce in the first quarter of 2024 will directly show improvement in disease. Additionally, our precision medicine approach is core to our development strategy in NASH and includes the identification of pharmacodynamic and predictive biomarkers to confirm target engagement and clinical response in patients treated with denifanstat.

We are also evaluating the promise of FASN inhibition, beyond NASH, in additional disease areas in which dysregulation of fatty acid metabolism also plays a key role, including in acne and certain forms of cancer.

Since our inception, we have devoted substantially all of our resources to researching, discovering and developing our pipeline of proprietary FASN inhibitors and other drug targets, organizing and staffing our company, performing business planning, establishing our intellectual property portfolio, raising capital and general and administration activities to support and expand such activities. We do not have any products approved for sale and have not generated any revenue from product sales. Our revenues to date have been generated solely from the license agreement from Ascletis.

To date, we have financed our operations primarily through public and private equity and debt financings, including our initial public offering of Series A common stock (IPO). Prior to this, we raised $233.3 million in gross proceeds from the sale of our redeemable convertible preferred stock and convertible notes, and on July 18, 2023, we completed our IPO, in which we issued and sold 5,312,500 shares of Series A common stock, at a price to the public of $16.00 per share. The aggregate gross proceeds of the IPO were $96.4 million, inclusive of an additional 714,272 shares of Series A common stock sold upon the partial exercise of the underwriters' purchase option. We received approximately $86.2 million in net proceeds after deducting underwriting discounts, commissions, and offering expenses. We will continue to require additional capital to develop our drug candidates and fund operations for the foreseeable future. Accordingly, until such time as we can generate significant revenue from sales of our drug candidates, if ever, we expect to finance our cash needs through equity or debt financings, third-party funding and marketing and distribution arrangements, as well as other collaborations, strategic alliances and licensing arrangements, or any combination of these approaches.

As of September 30, 2023, we had cash and cash equivalents of $101.8 million. We do not expect to generate any revenue from commercial product sales unless and until we successfully complete development and obtain regulatory approval for one or more of our drug candidates, which we expect will take a number of years, if ever. We expect our expenses will increase substantially in connection with our ongoing activities, as we:

- advance drug candidates through preclinical studies and clinical trials;

- require the manufacture of supplies for our preclinical studies and clinical trials;
- pursue regulatory approval of drug candidates;
- hire additional personnel;
- continue to operate as a public company;
- acquire, discover, validate and develop additional drug candidates; and
- obtain, maintain, expand and protect our intellectual property portfolio.

We rely and will continue to rely on third parties in the conduct of our preclinical studies and clinical trials and for manufacturing and supply of our drug candidates. We have no internal manufacturing capabilities, and we will continue to rely on third parties for our preclinical study and clinical trial materials. Given our stage of development, we do not yet have a marketing or sales organization or commercial infrastructure. Accordingly, if we obtain regulatory approval for any of our drug candidates, we also expect to incur significant commercialization expenses related to product sales, marketing, manufacturing and distribution.

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 revenue from the sale of our products, if any, 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 may be forced to reduce our operations.

Effects of COVID-19

We experienced modest delays in our development activities as a result of the COVID-19 pandemic, primarily due to temporary closures of certain clinical sites that delayed patient enrollment in our FASCINATE-2 trial. Although the public health emergency declarations related to COVID-19 in the United States ended on May 11, 2023, the extent to which the COVID-19 pandemic will continue to impact our operations or those of our consultants and collaborators, will depend on future developments, including the global macroeconomic effects of the virus. Economic recessions, increased inflation and/or interest rates, and any disruptions to our operations or workforce availability, including those brought on by the continued effects of the COVID-19 pandemic or a similar health epidemic may have a negative effect on our operating results.

License agreement with Ascletis

In January 2019, we entered into a license agreement that became effective in February 2019 with Ascletis BioScience Co. Ltd. (Ascletis), a subsidiary of Ascletis Pharma Inc., a biotechnology company incorporated in the Cayman Islands and headquartered in Hangzhou, China and a significant stockholder. We entered into this agreement with the intention to develop, manufacture, and commercialize our FASN inhibitor denifanstat, which is referred to as ASC40 in the People's Republic of China, Hong Kong, Macau and Taiwan (referred to collectively in this Quarterly Report as Greater China). Under the terms of the license agreement, we granted Ascletis and its affiliates an exclusive, royalty-bearing, sublicensable right and license under our intellectual property to develop, manufacture, commercialize and otherwise exploit denifanstat and other products containing denifanstat-related compounds in Greater China. Under the license agreement, we conducted all development activities in connection with the FASCINATE-1 Phase 2 clinical trial in the United States and Greater China at our sole expense, except for certain in-kind contributions by Ascletis in Greater China. Ascletis is solely responsible at its sole expense for conducting development activities in connection with obtaining and maintaining regulatory approvals for denifanstat in Greater China. Ascletis will solely own all regulatory filings and approvals in Greater China other than those regulatory filings jointly applied for in connection with the FASCINATE-1 Phase 2 clinical trial. In July 2023, we entered into an Assignment and Assumption Agreement with Ascletis and Ascletis' affiliate Gannex under which Ascletis, while remaining responsible for performance under the license agreement, assigned all of its rights and obligations under the license agreement to Gannex and Gannex assumed such rights and obligations, effective as of October 2019.

We are eligible to receive development and commercial milestone payments from Ascletis in an aggregate of up to $122.0 million as well as tiered royalties ranging from percentages in the high single digits to mid-teens on future net sales of denifanstat in Greater China. The license and Phase 2 research and development services components of the license agreement with Ascletis are representative of a "relationship with a customer" and therefore are subject to Accounting Standards Codification 606, *Revenue from Contracts with Customers* (ASC 606). As discussed below, a $2.0 million development milestone payment was received in August 2023. In January 2022, Ascletis initiated dosing of a Phase 3 trial for recurrent GBM, potentially triggering a $2.0 million milestone payment, net of applicable taxes, under the license agreement. The parties were in discussions regarding the form and amount of consideration related to this milestone until July 2023, at which time we concluded that the risk of reversal was no longer present, resulting in revenue recognition of $2.0 million. In August 2023, we received a $1.7 million milestone payment (representing the $2.0 million development milestone payment, net of applicable taxes) from Ascletis.

Unless terminated earlier, the license agreement will continue until the expiration of the last expiring royalty term. Ascletis has the right to terminate the license agreement for convenience upon ninety-day written notice to us. In addition, either party may terminate the license agreement for uncured material breach by the other party, or upon the occurrence of insolvency-related events of the other party.

Components of results of operations

Revenue

Revenue. We have not generated any revenue from product sales and do not expect to generate any revenue from product sales for the foreseeable future. Our revenues to date have been generated solely from the license agreement with Ascletis. We expect that our revenue for the next several years will be derived primarily from this agreement and any additional collaboration that we may enter into the future.

Operating expenses

Research and development expenses. Research and development expenses represent costs incurred in performing research, development and manufacturing activities in support of our own product development efforts and include personnel-related costs (such as salaries, employee benefits and stock-based compensation) for our personnel in research and development functions; costs related to acquiring, developing and manufacturing supplies for preclinical studies, clinical trials and other studies, including fees paid to contract manufacturing organizations (CMOs); costs and expenses related to agreements with contract research organizations, investigative sites and consultants to conduct non-clinical and preclinical studies and clinical trials; professional and consulting services costs; and facility and other allocated costs. We do not track research and development expenses by drug candidate.

We expect our research and development expenses to increase substantially in absolute dollars for the foreseeable future as we advance our drug candidates into and through preclinical studies and clinical trials, pursue regulatory approval of our drug candidates and expand our pipeline of drug candidates. The process of conducting the necessary preclinical and clinical research to obtain regulatory approval is costly and time-consuming. The actual probability of success for our drug candidates may be affected by a variety of factors, including the safety and efficacy of our drug candidates, early clinical data, investment in our clinical programs, competition, manufacturing capability and commercial viability. We may never succeed in achieving regulatory approval for any of our drug candidates. As a result of the uncertainties discussed above, we are unable to determine the duration and completion costs of our research and development projects or if, when and to what extent we will generate revenue from the commercialization and sale of our drug candidates.

Our clinical development costs may vary significantly based on factors such as:

- difficulties obtaining regulatory approval to commence a clinical trial or complying with conditions imposed by a regulatory authority regarding the scope or term of a clinical trial;

- conditions imposed on us by the U.S. Food and Drug Administration (FDA) or other regulatory authorities regarding the scope or design of our clinical trials;

- delays in reaching or failing to reach agreement on acceptable terms with prospective clinical research organizations (CROs), CMOs, and trial sites, the terms of which can be subject to extensive negotiation and may vary significantly;
- insufficient supply of our drug candidates or other materials necessary to conduct and complete our clinical trials;
- difficulties obtaining institutional review board (IRB) approval, or positive ethics committee opinions to conduct a clinical trial at a prospective site;
- slow enrollment and retention rate of subjects in our clinical trials;
- the FDA or other regulatory authority requiring alterations to any of our study designs, our preclinical strategy or our manufacturing plans;
- governmental or regulatory delays and changes in regulatory requirements, policy and guidelines;
- serious and unexpected drug-related side effects related to the drug candidate being tested;
- lack of adequate funding to continue the clinical trial;
- subjects experiencing severe or unexpected drug-related adverse effects;
- occurrence of severe adverse effects in clinical trials of the same class of agents conducted by other companies;
- any changes to our manufacturing process, suppliers or formulation that may be necessary or desired;
- third-party vendors not performing manufacturing and distribution services in a timely manner or to sufficient quality standards;
- third-party clinical investigators losing the licenses or permits necessary to perform our clinical trials, not performing our clinical trials on our anticipated schedule or consistent with the clinical trial protocol, good clinical practice (GCP), or other regulatory requirements;
- third-party contractors not performing data collection or analysis in a timely or accurate manner;
- third-party contractors becoming debarred or suspended or otherwise penalized by the FDA or other government or regulatory authorities for violations of regulatory requirements, in which case we may need to find a substitute contractor, and we may not be able to use some or all of the data produced by such contractors in support of our marketing applications; and
- failure of our third-party contractors, such as CROs and CMOs, or our investigators to comply with regulatory requirements or otherwise meet their contractual obligations in a timely manner.

General and administrative expenses. Our general and administrative expenses consist primarily of costs and expenses related to: personnel (including salaries, employee benefits and stock-based compensation) in our executive, finance and accounting and other administrative functions; legal services, including relating to intellectual property and corporate matters; accounting, auditing, consulting and tax services; insurance; information technology; and facility and other allocated costs not otherwise included in research and development expenses.

We expect our general and administrative expenses to increase substantially in absolute dollars for the foreseeable future as we increase our headcount to support our continued research and development activities and grow our business. We also anticipate that we will incur increased expenses as a result of operating as a public company, including expenses related to audit, legal, regulatory

and tax-related services associated with maintaining compliance with Securities and Exchange Commission (SEC) rules and regulations and those of any national securities exchange on which our securities are traded, additional insurance expenses, investor relations activities and other administrative and professional services.

Other income (expense), net. Our other income (expense), net primarily includes interest income earned and changes in the fair value of our Series A common stock and redeemable convertible preferred stock related instruments. Interest income consists of interest earned on our cash, cash equivalents and short-term investments in marketable securities.

Results of operations

Comparison of the three months ended September 30, 2023 and 2022

The following table summarizes our results of operations for the periods indicated (in thousands):

	Three Months Ended September 30,			
	2023	2022	Change	% Change
Revenue:				
License revenue	$ 2,000	$ —	$ 2,000	nm
Total revenue	2,000	—	2,000	nm
Operating expenses:				
Research and development	4,958	6,838	(1,880)	(27)%
General and administrative	4,494	848	3,646	nm
Total operating expenses	9,452	7,686	1,766	23 %
Loss from operations	(7,452)	(7,686)	234	(3)%
Other income, net:				
Change in fair value of redeemable convertible preferred stock warrant liability	—	1	(1)	nm
Change in fair value of Series A common stock warrant liability	4	—	4	nm
Interest income and other	1,095	218	877	nm
Total other income, net	1,099	219	880	nm
Net loss	$ (6,353)	$ (7,467)	$ 1,114	(15)%

nm—not meaningful

Revenue. Our revenue increased by $2.0 million for the three months ended September 30, 2023, compared to the three months ended September 30, 2022. The increase was due to the $2.0 million Ascletis milestone payment that was recognized in July 2023. There was no revenue in the three months ended September 30, 2022.

Research and development expense. Our research and development expense decreased by $1.9 million, or 27%, for the three months ended September 30, 2023, compared to the three months ended September 30, 2022. This decrease was primarily due to a $3.3 million decrease in clinical trial costs for our FASCINATE-2 Phase 2b trial as patients progressed through the trial. This decrease was offset by a $0.9 million increase in other clinical costs related to the conduct of clinical pharmacology trials of denifanstat, a $0.3 million increase in contract outside services research and preclinical activities, and a $0.2 million increase in salaries and benefits.

General and administrative expenses. Our general and administrative expenses increased by $3.6 million for the three months ended September 30, 2023, compared to the three months ended September 30, 2022 primarily due to a $1.4 million increase in stock-based compensation, a $1.1 million increase in salaries and benefits related to newly hired executives, an employee termination and corporate insurance costs, a $0.8 million increase in professional services related to the IPO, and a $0.3 million increase in taxes related to the Ascletis license revenue.

Other income, net. Our other income, net increased by $0.9 million for the three months ended September 30, 2023, compared to the three months ended September 30, 2022. Interest income increased primarily due to interest earned on the cash proceeds received from the IPO.

Comparison of the nine months ended September 30, 2023 and 2022

The following table summarizes our results of operations for the periods indicated (in thousands):

	Nine Months Ended September 30,			
	2023	2022	Change	% Change
Revenue:				
License revenue	$ 2,000	$ —	$ 2,000	nm
Total revenue	2,000	—	2,000	nm
Operating expenses:				
Research and development	14,121	19,072	(4,951)	(26)%
General and administrative	9,153	4,595	4,558	99 %
Total operating expenses	23,274	23,667	(393)	(2)%
Loss from operations	(21,274)	(23,667)	2,393	(10)%
Other income, net:				
Change in fair value of redeemable convertible preferred stock warrant liability	(1)	3	(4)	nm
Change in fair value of Series A common stock warrant liability	4	—	4	nm
Interest income and other	1,546	360	1,186	nm
Total other income, net	1,549	363	1,186	nm
Net loss	$ (19,725)	$ (23,304)	$ 3,579	(15)%

nm—not meaningful

Revenue. Our revenue increased by $2.0 million for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. The increase was due to the $2.0 million Ascletis milestone payment that was recognized in July 2023. There was no revenue in the nine months ended September 30, 2022.

Research and development expense. Our research and development expense decreased by $5.0 million, or 26%, for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. This decrease was primarily due to a $8.4 million decrease in clinical trial costs for our FASCINATE-2 Phase 2b trial as patients progressed through the trial, partially offset by a $2.3 million increase in other clinical costs related to the conduct of clinical pharmacology trials of denifanstat, a $0.5 million increase in contract outside services research and preclinical activities, and a $0.5 million increase in salaries, incentive compensation and benefits related to increased headcount in prior year.

General and administrative expenses. Our general and administrative expenses increased by $4.6 million, or 99%, for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022 primarily due to a $2.4 million increase in stock-based compensation, a $1.7 million increase in professional services related to the IPO, a $1.7 million increase in salaries and benefits related to newly hired executives, an employee termination and corporate insurance costs, and a $0.3 million increase in taxes related to the Ascletis license revenue. These increases were partially offset by $1.4 million of capitalized deferred financing costs related to our previous IPO activities in 2021 that were expensed during the nine months ended September 30, 2022, and a $0.2 million decrease in recruiting costs.

Other income, net. Our other income, net increased by $1.2 million for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. Interest income increased primarily due to interest earned on the cash proceeds received from the IPO.

Liquidity and capital resources

As of September 30, 2023, we have relied on private equity and debt financings and our IPO, which completed in July 2023 to fund our operations. We have incurred net losses and negative cash flows from operations since inception, including net losses of $19.7 million and $23.3 million for the nine months ended September 30, 2023 and 2022, respectively. For the nine months ended September 30, 2023, and 2022 we had negative cash flows from operations of $16.7 million and $17.0 million, respectively. As of September 30, 2023, we had cash and cash equivalents of $101.8 million. We will require substantial additional capital to fund our research and development and ongoing operating expenses. On July 18, 2023, we completed our IPO, in which we issued and sold 5,312,500 shares of Series A common stock, at a price to the public of $16.00 per share. The aggregate gross proceeds of the IPO were $96.4 million, inclusive of an additional 714,272 shares of Series A common stock sold upon the partial exercise of the underwriters' purchase option. We received approximately $86.2 million in net proceeds after deducting underwriting discounts, commissions, and estimated offering expenses.

Based on our current business plans, we believe that the net proceeds received from the IPO, together with our existing cash and cash equivalents will be sufficient for us to fund our operating expenses and capital expenditure requirements for at least the next 12 months after this filing. In the future, we may need to raise additional funds until we are able to generate sufficient revenues to fund our development activities. Our future operating activities, coupled with our plans to raise capital or issue debt financing, may provide additional liquidity in the future, however these actions are not solely within our control and we are unable to predict the outcome of these actions to generate the liquidity ultimately required.

Future funding requirements

Our primary uses of cash are to fund our operations, which consist primarily of research and development expenditures related to our programs and, to a lesser extent, general and administrative expenditures. We anticipate that we will continue to incur significant expenses for the foreseeable future as we continue to advance our drug candidates, expand our corporate infrastructure, including the costs associated with being a public company, further our research and development initiatives for our drug candidates, scale our laboratory and manufacturing operations, and incur marketing costs associated with potential commercialization. We are subject to all of the risks typically related to the development of new drug candidates, and we may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may adversely affect our business. We anticipate that we will need substantial additional funding in connection with our continuing operations.

Until we can generate a sufficient amount of revenue from the commercialization of our drug candidates or additional revenue from collaboration agreements with third parties, if ever, we expect to finance our future cash needs through public or private equity or debt financings, third-party (including government) funding and marketing and distribution arrangements, as well as other collaborations, strategic alliances and licensing arrangements, or any combination of these approaches. The sale of equity or convertible debt securities may result in dilution to our stockholders and, in the case of preferred equity securities or convertible debt, those securities could provide for rights, preferences or privileges senior to those of our common stock. Debt financings may subject us to covenant limitations or restrictions on our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. Our ability to raise additional funds may be adversely impacted by macroeconomic conditions, disruptions to and volatility in the credit and financial markets, the effects of the COVID-19 pandemic and geopolitical turmoil. There can be no assurance that we will be successful in acquiring additional funding at levels sufficient to fund our operations or on terms favorable or acceptable to us. If we are unable to obtain adequate financing when needed or on terms favorable or acceptable to us, we may be forced to delay, reduce the scope of or eliminate one or more of our research and development programs.

Our future capital requirements will depend on many factors, including:

- difficulties obtaining regulatory approval to commence a clinical trial or complying with conditions imposed by a regulatory authority regarding the scope or term of a clinical trial;
- conditions imposed on us by the FDA or other regulatory authorities regarding the scope or design of our clinical trials;
- delays in reaching or failing to reach agreement on acceptable terms with prospective CROs, CMOs, and trial sites, the terms of which can be subject to extensive negotiation and may vary significantly;

- insufficient supply of our drug candidates or other materials necessary to conduct and complete our clinical trials;
- difficulties obtaining IRB or ethics committee approval to conduct a clinical trial at a prospective site;
- slow enrollment and retention rate of subjects in our clinical trials;
- the FDA or other regulatory authority requiring alterations to any of our study designs, our preclinical strategy or our manufacturing plans;
- governmental or regulatory delays and changes in regulatory requirements, policy and guidelines; serious and unexpected drug-related side effects related to the drug candidate being tested;
- lack of adequate funding to continue the clinical trial;
- subjects experiencing severe or unexpected drug-related adverse effects;
- occurrence of severe adverse effects in clinical trials of the same class of agents conducted by other companies;
- any changes to our manufacturing process, suppliers or formulation that may be necessary or desired;
- third-party vendors not performing manufacturing and distribution services in a timely manner or to sufficient quality standards;
- third-party clinical investigators losing the licenses or permits necessary to perform our clinical trials, not performing our clinical trials on our anticipated schedule or consistent with the clinical trial protocol, GCP, or other regulatory requirements;
- third-party contractors not performing data collection or analysis in a timely or accurate manner;
- third-party contractors becoming debarred or suspended or otherwise penalized by the FDA or other government or regulatory authorities for violations of regulatory requirements, in which case we may need to find a substitute contractor, and we may not be able to use some or all of the data produced by such contractors in support of our marketing applications; and
- failure of our third-party contractors, such as CROs and CMOs, or our investigators to comply with regulatory requirements or otherwise meet their contractual obligations in a timely manner.

A change in the outcome of any of these or other variables could significantly change our costs and timing associated with the development of our drug candidates. Furthermore, our operating plans may change in the future, and we may need additional funds to meet operational needs and capital requirements associated with such change.

Sources and uses of cash

The following table sets forth our primary sources and uses of cash for each of the periods presented below (in thousands):

	Nine Months Ended September 30,	
	2023	2022
Net cash (used in) provided by:		
Operating activities	$ (16,683)	$ (17,037)
Investing activities	32,200	(37,446)
Financing activities	86,167	(18)
Net increase (decrease) in cash and cash equivalents	$ 101,684	$ (54,501)

Cash flows from operating activities. Our net cash used in operating activities was $16.7 million for the nine months ended September 30, 2023, consisting of a net loss of $19.7 million, partially offset by noncash adjustments of $3.7 million and net changes in our operating assets and liabilities of $0.7 million. Noncash adjustments primarily consisted of stock-based compensation expense.

Our net cash used in operating activities was $17.0 million for the nine months ended September 30, 2022, consisting of a net loss of $23.3 million, partially offset by noncash adjustments of $1.1 million and net changes in our operating assets and liabilities of $5.1 million. Noncash adjustments primarily consisted of stock-based compensation.

Cash flows from investing activities. Our net cash provided by investing activities was $32.2 million for the nine months ended September 30, 2023, which related entirely to sales of marketable securities.

Our net cash used by investing activities was $37.4 million for the nine months ended September 30, 2022, which related to purchases of marketable securities of $41.4 million, offset by sales of marketable securities of $4.0 million.

Cash flows from financing activities. Our net cash provided by financing activities was $86.2 million for the nine months ended September 30, 2023, which primarily related to $96.4 million in proceeds from our IPO, net of underwriters' commissions and discounts, partially offset by $10.3 million of payments of issuance costs for the IPO.

Our net cash used in financing activities was $18 thousand for the nine months ended September 30, 2022, which related to the $30 thousand payment of deferred financing costs, offset by $12 thousand in proceeds from the exercise of stock options.

Critical accounting policies and estimates

We prepare our financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ significantly from the estimates made by our management.

There have been no material changes to our critical accounting policies and estimates from those disclosed in our financial statements and the related notes and other financial information included in the final prospectus for our IPO filed pursuant to Rule 424(b)(4) under the Securities Act with the SEC on July 17, 2023.

Emerging growth company and smaller reporting status

We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act (the JOBS Act). Under the JOBS Act, emerging growth companies can delay the adoption of new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. Other exemptions and reduced reporting requirements under the JOBS Act for emerging growth companies include an exemption from the requirement to provide an auditor's report on internal controls over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, as amended, an exemption from any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation and less extensive disclosure about our executive compensation arrangements. We have elected to use the extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that (i) we are no longer an emerging growth company or (ii) we affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates.

We will remain an emerging growth company until the earliest of (i) the last day of our first fiscal year in which we have total annual gross revenues of $1.235 billion or more, (ii) December 31, 2028, (iii) the date on which we are deemed to be a large accelerated filer, under the rules of the SEC, which means the market value of equity securities that is held by non-affiliates exceeds $700.0 million as of the prior June 30th and (iv) the date on which we have issued more than $1.0 billion in non-convertible debt securities during the prior three-year period.

We are also a "smaller reporting company," meaning that the market value of our stock held by non-affiliates is less than $700 million and our annual revenue was less than $100 million during the most recently completed fiscal year. We may continue to be a smaller reporting company if either (i) the market value of our stock held by non-affiliates is less than $250 million or (ii) our annual revenue is less than $100 million during the most recently completed fiscal year and the market value of our stock held by non-affiliates is less than $700 million. If we are a smaller reporting company at the time we cease to be an emerging growth company, we may continue to rely on exemptions from certain disclosure requirements that are available to smaller reporting companies. Specifically, as a smaller reporting company we may choose to present only the two most recent fiscal years of audited financial statements in our Annual Report on Form 10-K and, similar to emerging growth companies, smaller reporting companies have reduced disclosure obligations regarding executive compensation.

Recently adopted accounting pronouncements

See "Notes to the Financial Statements—Note 2" included elsewhere in this Quarterly Report for more information.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

We maintain "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, (Exchange Act), that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and (2) accumulated and communicated to our management, including our principal executive officer and principal financial officer, 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.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this Quarterly Report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of September 30, 2023, our disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by us in this Quarterly Report was (a) reported within the time periods specified by the SEC rules and regulations, and (b) communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding any required disclosure.

Changes in Internal Control over Financial Reporting

During the quarter ended September 30, 2023, there have been no changes in our internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15(d)-15(f) promulgated under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal proceedings.

From time to time, we may become involved in legal proceedings arising in the ordinary course of our business. Our management believes that there are currently no claims or actions pending against us, the ultimate disposition of which would have a material adverse effect on our results of operations, financial condition or cash flows.

Item 1A. RISK FACTORS

There have been no material changes in our risk factors from those disclosed in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2023.

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

(a) Recent sales of unregistered equity securities

On July 18, 2023, upon the closing of our IPO, all shares of outstanding convertible preferred stock automatically converted into 15,117,912 shares of Series A and 1,520,490 shares of Series B common stock. The issuance of such shares common stock was exempt from the registration requirements of the Securities Act, pursuant to Section 3(a)(9) of the Securities Act, involving an exchange of securities exchanged by the issuer with its existing security holders exclusively where no commission or other remuneration is paid or given directly or indirectly for soliciting such exchange. No underwriters were involved in this issuance of shares.

(b) Use of proceeds from initial public offering of common stock

On July 18, 2023, we completed our IPO. Our registration statement on Form S-1 (File No. 333-256648) relating to the IPO was declared effective by the SEC on July 13, 2023. We issued an aggregate of 5,312,500 shares of our Series A common stock at a price of $16.00 per share. The aggregate gross proceeds of the IPO were $96.4 million, inclusive of an additional 714,272 shares of Series A common stock sold upon the partial exercise of the underwriters' purchase option. We received approximately $86.2 million in net proceeds after deducting approximately $6.7 million in underwriting discounts and commissions and approximately $3.5 million in other offering costs. None of the expenses associated with the IPO were paid to directors, officers, persons owning 10% or more of any class of equity securities, or to their associates, or to our affiliates. Goldman Sachs & Co., Cowen and Company and Piper Sandler & Co. acted as joint book-running managers for the IPO, and JMP Securities acted as lead manager.

(c) Issuer purchases of equity securities

None.

Item 3. Defaults upon senior securities.

Not applicable.

Item 4. Mine safety disclosures.

Not applicable.

Item 5. Other information

None.

Item 6. Exhibits.

Exhibit Number	Description	Method of Filing
3.1	Eleventh Amended and Restated Certificate of Incorporation of Sagimet Biosciences Inc.	Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-41742) filed on July 18, 2023)
3.2	Second Amended and Restated Bylaws of Sagimet Biosciences Inc.	Incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K (File No. 001-41742) filed on July 18, 2023)
10.1•	Sagimet Biosciences Inc. 2023 Stock Option and Incentive Plan	Incorporated by reference to Exhibit 10.5 to the Company's Registration Statement on Form S-1 (File No. 333-272901) filed on June 23, 2023)
10.2•	Forms of Incentive Stock Option Agreement, Non-Qualified Stock Option Agreement for Non-Employee Directors and Non-Qualified Stock Option Agreement for Company Employees under the Sagimet Biosciences Inc. 2023 Stock Option and Incentive Plan under the Sagimet Biosciences Inc. 2023 Stock Option and Incentive Plan	Incorporated herein by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-1 (File No. 333-272901) filed on June 23, 2023)
10.3•	Forms of Restricted Stock Unit Award Agreement for Non-Employee Directors and Restricted Stock Unit Award Agreement for Company Employees under the Sagimet Biosciences Inc. 2023 Stock Option and Incentive Plan	Incorporated herein by reference to Exhibit 10.7 to the Company's Registration Statement on Form S-1 (File No. 333-272901) filed on June 23, 2023)
10.4•	Form of Restricted Stock Award Agreement under the Sagimet Biosciences Inc. 2023 Stock Option and Incentive Plan	Incorporated herein by reference to Exhibit 10.8 to the Company's Registration Statement on Form S-1 (File No. 333-272901) filed on June 23, 2023)
10.5•	Sagimet Biosciences Inc. 2023 Employee Stock Purchase Plan	Incorporated herein by reference to Exhibit 10.9 to the Company's Registration Statement on Form S-1 (File No. 333-272901) filed on June 23, 2023)
10.6•	Sagimet Biosciences Inc. 2023 Non-Employee Director Compensation Policy	Incorporated herein by reference to Exhibit 10.10 to the Company's Registration Statement on Form S-1 (File No. 333-272901) filed on June 23, 2023)

10.7•	Sagimet Biosciences Inc. Senior Executive Cash Incentive Bonus Plan	Incorporated herein by reference to Exhibit 10.21 to the Company's Registration Statement on Form S-1 (File No. 333-272901) filed on June 23, 2023)
10.8*	Amended and Restated Patent Assignment Agreement by and between the Registrant and Gannex Pharma Co., Ltd., dated July 2, 2023	Incorporated herein by reference to Exhibit 10.24 to the Company's Registration Statement on Form S-1 (File No. 333-272901) filed on July 10, 2023)
10.9•	Executive Employment Agreement by and between the Company and David Happel, dated August 15, 2023	Incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q (File No. 001-41742) filed on August 21, 2023)
10.10•	Executive Employment Agreement by and between the Company and George Kemble, dated August 15, 2023	Incorporated herein by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q (File No. 001-41742) filed on August 21, 2023)
10.11•	Executive Employment Agreement by and between the Company and Eduardo Martins, dated August 15, 2023	Incorporated herein by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q (File No. 001-41742) filed on August 21, 2023)
10.12•	Executive Employment Agreement by and between the Company and Anthony Rimac, dated August 15, 2023	Incorporated herein by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q (File No. 001-41742) filed on August 21, 2023)
10.13•	Executive Employment Agreement by and between the Company and Elizabeth Rozek, dated August 15, 2023	Incorporated herein by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q (File No. 001-41742) filed on August 21, 2023)
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith.
32.1	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2022	Furnished herewith.
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document	Filed herewith.
101.SCH	Inline XBRL Taxonomy Extension Schema Document	Filed herewith.
101.CAL	Inline XBRL Taxonomy Extenstion Calculation Linkbase Document	

101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	Filed herewith.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)	Filed herewith.

- Indicates management contract or compensatory plan.

* Portions of this exhibit (indicated by [***]) have been omitted because the registrant has determined that the information is both not material and is the type that the registrant treats as private and confidential.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this Quarterly Report to be signed on its behalf by the undersigned, thereunto duly authorized.

SAGIMET BIOSCIENCES, INC.

Date: November 13, 2023

By: /s/ David Happel
David Happel
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 13, 2023

By: /s/ Anthony Rimac
Anthony Rimac
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) OR 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David Happel, certify that:

1. I have reviewed this Form 10-Q for the Quarterly Period Ended September 30, 2023 of Sagimet Biosciences Inc.;

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

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

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

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

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

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

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

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

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

Date: November 13, 2023

By: /s/ David Happel
David Happel
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) OR 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Anthony Rimac, certify that:

1. I have reviewed this Form 10-Q for the Quarterly Period Ended September 30, 2023 of Sagimet Biosciences Inc.;

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

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

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

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

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

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

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

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

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

Date: November 13, 2023

By: /s/ Anthony Rimac
Anthony Rimac
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Sagimet Biosciences Inc. (the "Company") for the quarterly period ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of their knowledge:

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

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

Date: November 13, 2023

By: /s/ David Happel

David Happel
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 13, 2023

By: /s/ Anthony Rimac

Anthony Rimac
Chief Financial Officer
(Principal Financial and Accounting Officer)