

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

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**FORM 10-Q**

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**Quarterly Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934**

**For the quarterly period ended March 31, 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: 001-33093**



**LIGAND PHARMACEUTICALS INCORPORATED**

*(Exact name of registrant as specified in its charter)*

**Delaware**

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

**3911 Sorrento Valley Boulevard, Suite 110**

**San Diego**

**CA**

*(Address of principal executive offices)*

**77-0160744**

*(I.R.S. Employer  
Identification No.)*

**92121**

*(Zip Code)*

**(858) 550-7500**

*(Registrant's Telephone Number, Including Area Code)*

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Trading symbol:	Name of each exchange on which registered:
<b>Common Stock, par value \$0.001 per share</b>	<b>LGND</b>	<b>The Nasdaq Global Market</b>

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 definitions of "large accelerated filer," "accelerated filer," "smaller reporting company,"

and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one)

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

Emerging Growth Company

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

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

As of May 4, 2023, the registrant had 17,272,547 shares of common stock outstanding.

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**LIGAND PHARMACEUTICALS INCORPORATED**  
**QUARTERLY REPORT**

**FORM 10-Q**

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GLOSSARY OF TERMS AND ABBREVIATIONS

Abbreviation	Definition
2022 Annual Report	Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on February 28, 2023
2023 Notes	\$750.0 million aggregate principal amount of convertible senior unsecured notes due 2023
APAC	Avista Public Acquisition Corp. II (prior to its domestication in Delaware and change of name to OmniAb, Inc.)
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Company	Ligand Pharmaceuticals Incorporated, including subsidiaries
CVR	Contingent value right
CyDex	CyDex Pharmaceuticals, Inc.
EMA	European Medicines Agency
ESPP	Employee Stock Purchase Plan, as amended and restated
FASB	Financial Accounting Standards Board
GAAP	Generally accepted accounting principles in the United States
Ligand	Ligand Pharmaceuticals Incorporated, including subsidiaries
Merger Agreement	Agreement and Plan of Merger, dated as of March 23, 2022, among APAC, Ligand, OmniAb and Merger Sub
Merger Sub	Orwell Merger Sub, Inc., a wholly owned subsidiary of APAC
Metabasis	Metabasis Therapeutics, Inc.
NDA	New Drug Application
New OmniAb	OmniAb, Inc. (formerly known as Avista Public Acquisition Corp. II and after it domestication in Delaware)
OmniAb	OmniAb Operations, Inc. (formerly known as OmniAb, Inc. and prior to being spun off by the Company)
OmniAb Business	Ligand's antibody discovery business (prior to being spun off by the Company)
Pfenex	Pfenex Inc.
Q1 2022	The Company's fiscal quarter ended March 31, 2022
Q1 2023	The Company's fiscal quarter ended March 31, 2023
SBC	Share-based compensation expense
SEC	Securities and Exchange Commission
Separation Agreement	Separation and Distribution Agreement, dated as of March 23, 2022, among APAC, Ligand and OmniAb
Travere	Travere Therapeutics, Inc.
Viking	Viking Therapeutics, Inc.
YTD	Year-to-date

## PART I - FINANCIAL INFORMATION

### Item 1. Condensed Consolidated Financial Statements

#### LIGAND PHARMACEUTICALS INCORPORATED CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)  
(in thousands, except par value)

	March 31, 2023	December 31, 2022
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 88,728	\$ 45,006
Short-term investments	193,937	166,864
Accounts receivable, net	29,188	30,424
Inventory	14,011	13,294
Income taxes receivable	—	4,614
Other current assets	2,331	3,399
Total current assets	328,195	263,601
Deferred income taxes, net	875	8,530
Intangible assets, net	333,916	342,455
Goodwill	105,673	105,673
Commercial license rights, net	10,431	10,182
Property and equipment, net	11,743	12,482
Operating lease right-of-use assets	11,666	10,914
Financing lease right-of-use assets	3,943	4,095
Other assets	4,634	4,736
Total assets	\$ 811,076	\$ 762,668
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 6,135	\$ 5,307
Accrued liabilities	14,977	15,681
Current contingent liabilities	67	57
Deferred revenue	257	355
Current operating lease liabilities	660	670
Current financing lease liabilities	43	45
2023 convertible senior notes, net	76,790	76,695
Total current liabilities	98,929	98,810
Long-term contingent liabilities	2,776	3,456
Deferred income taxes, net	30,010	30,615
Long-term operating lease liabilities	11,183	10,336
Other long-term liabilities	21,861	21,966
Total liabilities	164,759	165,183
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$ 0.001 par value; 5,000 shares authorized; zero issued and outstanding at March 31, 2023 and December 31, 2022	—	—
Common stock, \$ 0.001 par value; 60,000 shares authorized; 17,134 and 16,951 shares issued and outstanding at March 31, 2023 and December 31, 2022, respectively	17	17
Additional paid-in capital	154,424	147,590
Accumulated other comprehensive loss	(935)	(984)
Retained earnings	492,811	450,862
Total stockholders' equity	646,317	597,485
Total liabilities and stockholders' equity	\$ 811,076	\$ 762,668

*See accompanying notes to unaudited condensed consolidated financial statements.*

**LIGAND PHARMACEUTICALS INCORPORATED**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)  
(in thousands, except per share amounts)

	Three months ended	
	March 31,	
	2023	2022
<b>Revenues:</b>		
Royalties	\$ 17,154	\$ 13,432
Captisol	10,622	12,122
Contract revenue	16,203	10,962
Total revenues	<u>43,979</u>	<u>36,516</u>
<b>Operating costs and expenses:</b>		
Cost of Captisol	3,717	4,699
Amortization of intangibles	8,539	8,580
Research and development	6,663	9,179
General and administrative	10,855	11,925
Total operating costs and expenses	<u>29,774</u>	<u>34,383</u>
Operating income from continuing operations	14,205	2,133
<b>Other income (expense):</b>		
Gain (loss) from short-term investments	39,533	(12,877)
Interest income	1,435	134
Interest expense	(240)	(789)
Other income, net	603	2,255
Total other income (expense), net	<u>41,331</u>	<u>(11,277)</u>
Income (loss) before income taxes from continuing operations	55,536	(9,144)
Income tax expense	(11,922)	(3,785)
Net income (loss) from continuing operations	<u>43,614</u>	<u>(12,929)</u>
Net loss from discontinued operations	(1,665)	(2,456)
<b>Net income (loss)</b>	<u>\$ 41,949</u>	<u>\$ (15,385)</u>
Basic net income (loss) from continuing operations per share	\$ 2.56	\$ (0.77)
Basic net loss from discontinued operations per share	\$ (0.10)	\$ (0.15)
Basic net income (loss) per share	<u>\$ 2.46</u>	<u>\$ (0.91)</u>
Shares used in basic per share calculation	<u>17,063</u>	<u>16,824</u>
Diluted net income (loss) from continuing operations per share	\$ 2.43	\$ (0.77)
Diluted net loss from discontinued operations per share	\$ (0.09)	\$ (0.15)
Diluted net income (loss) per share	<u>\$ 2.33</u>	<u>\$ (0.91)</u>
Shares used in diluted per share calculation	<u>17,974</u>	<u>16,824</u>

*See accompanying notes to unaudited condensed consolidated financial statements.*

**LIGAND PHARMACEUTICALS INCORPORATED**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**(Unaudited)**  
**(in thousands)**

	Three months ended	
	March 31,	
	2023	2022
Net income (loss)	\$ 41,949	\$ (15,385)
Unrealized net gain (loss) on available-for-sale securities, net of tax	49	(114)
Comprehensive income (loss)	\$ 41,998	\$ (15,499)

*See accompanying notes to unaudited condensed consolidated financial statements.*

**LIGAND PHARMACEUTICALS INCORPORATED**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(Unaudited)  
(in thousands)

	Common Stock			Additional paid in capital	Accumulated other comprehensive income (loss)	Retained earnings	Total stockholders' equity	
	Shares	Amount						
Balance at December 31, 2022	16,951	\$ 17	\$	147,590	\$	(984)	\$ 450,862	\$ 597,485
Issuance of common stock under employee stock compensation plans, net of shares withheld for payroll taxes	183	—		(762)		—		(762)
Share-based compensation	—	—		5,931		—		5,931
Unrealized net gain on available-for-sale securities, net of tax	—	—		—		49		49
Final distribution of OmniAb	—	—		1,665		—		1,665
Net income	—	—		—		41,949		41,949
Balance at March 31, 2023	17,134	\$ 17	\$	154,424	\$	(935)	\$ 492,811	\$ 646,317

	Common Stock			Additional paid in capital	Accumulated other comprehensive loss	Retained earnings	Total stockholders' equity	
	Shares	Amount						
Balance at December 31, 2021	16,767	\$ 17	\$	372,969	\$	(917)	\$ 449,090	\$ 821,159
ASU 2020-06 adoption, net of tax (Note 1)				(51,130)			35,133	(15,997)
Issuance of common stock under employee stock compensation plans, net of shares withheld for payroll taxes	94	—		(5,515)		—		(5,515)
Share-based compensation	—	—		9,044		—		9,044
Unrealized net loss on available-for-sale securities, net of tax	—	—		—		(114)		(114)
Net loss	—	—		—		—	(15,385)	(15,385)
Balance at March 31, 2022	16,861	\$ 17	\$	325,368	\$	(1,031)	\$ 468,838	\$ 793,192

*See accompanying notes to unaudited condensed consolidated financial statements.*



**LIGAND PHARMACEUTICALS INCORPORATED**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**  
**(in thousands)**

	Three months ended	
	March 31,	
	2023	2022
<b>Cash flows from operating activities:</b>		
Net (loss) income	\$ 41,949	\$ (15,385)
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Change in estimated fair value of contingent liabilities	(670)	(1,035)
Depreciation and amortization of intangible assets	9,499	13,655
Amortization of premium on investments, net	(282)	51
Amortization of debt discount and issuance fees	95	326
Amortization of commercial license rights	(379)	(11)
Gain on debt extinguishment	—	(1,532)
Share-based compensation	5,931	9,044
Deferred income taxes	8,754	(16,180)
(Gain) loss from short-term investments	(39,533)	12,877
Lease amortization expense	447	1,490
Other	240	(80)
Changes in operating assets and liabilities:		
Accounts receivable, net	1,099	43,638
Inventory	2,035	44
Accounts payable and accrued liabilities	(435)	(2,708)
Income tax receivable and payable	4,614	11,993
Deferred revenue	(98)	(2,453)
Other assets and liabilities	682	(1,723)
Net cash provided by operating activities	33,948	52,011
<b>Cash flows from investing activities:</b>		
Purchase of short-term investments	(39,864)	(38,190)
Proceeds from sale of short-term investments	44,232	132,866
Proceeds from maturity of short-term investments	8,465	24,830
Cash paid for equity method investment	—	(750)
Purchase of property and equipment	(2,414)	(4,875)
Proceeds from commercial license rights	130	—
Net cash provided by investing activities	10,549	113,881
<b>Cash flows from financing activities:</b>		
Repurchase of 2023 Notes	—	(163,356)
Payments under financing lease obligations	(13)	(13)
Net proceeds from stock option exercises and ESPP	3,393	347
Taxes paid related to net share settlement of equity awards	(4,155)	(5,862)
Payments to CVR Holders	—	(1,416)
Other	—	(121)
Net cash used in financing activities	(775)	(170,421)
Net increase (decrease) in cash, cash equivalents and restricted cash	43,722	(4,529)
Cash, cash equivalents and restricted cash at beginning of period	45,006	19,522
Cash, cash equivalents and restricted cash at end of period	\$ 88,728	\$ 14,993
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	\$ —	\$ 359
<b>Supplemental schedule of non-cash activity:</b>		
Accrued fixed asset purchases	\$ 140	\$ 2,574
Accrued inventory purchases	\$ 2,752	\$ 306
Unrealized gain (loss) on AFS investments, net of tax	\$ 49	\$ (114)

*See accompanying notes to unaudited condensed consolidated financial statements.*

**LIGAND PHARMACEUTICALS INCORPORATED**  
**Notes to Condensed Consolidated Financial Statements**  
**(Unaudited)**

Unless the context requires otherwise, references in this report to “Ligand,” “we,” “us,” the “Company,” and “our” refer to Ligand Pharmaceuticals Incorporated and its consolidated subsidiaries.

## **1. Basis of Presentation and Summary of Significant Accounting Policies**

### ***Business***

On November 1, 2022, we completed the separation (the “Separation”) of our antibody discovery business and certain related assets and liabilities (the “OmniAb Business”) through a spin-off of OmniAb to Ligand’s shareholders of record as of October 26, 2022 on a pro rata basis (the “Distribution”) and merger (the “Merger”) of OmniAb with a wholly owned subsidiary of a separate public company, OmniAb, Inc. (formerly known as Avista Public Acquisition Corp. II (“New OmniAb”)), in a Reverse Morris Trust transaction pursuant to the Agreement and Plan of Merger, dated as of March 23, 2022 (the “Merger Agreement”), and the Separation and Distribution Agreement, dated as of March 23, 2022 (the “Separation Agreement”) (the Merger Agreement and Separation Agreement, collectively with the other related transaction documents, the “Transaction Agreements”). Pursuant to the Transaction Agreements, Ligand contributed to OmniAb cash and certain assets and liabilities constituting the OmniAb Business, including but not limited to the equity interests of Ab Initio Biotherapeutics, Inc., Crystal Bioscience, Inc., Icagen, LLC, Taurus Biosciences, LLC and xCella Biosciences, Inc.

After the spin-off of our OmniAb antibody discovery business, Ligand is a revenue-generating biopharmaceutical company focused on developing or acquiring technologies that help pharmaceutical companies discover and develop medicines. We operate in one business segment: development and licensing of biopharmaceutical assets.

### ***Basis of Presentation***

Our condensed consolidated financial statements include the financial statements of Ligand and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. We have included all adjustments, consisting only of normal recurring adjustments, which we considered necessary for a fair presentation of our financial results. These unaudited condensed consolidated financial statements and accompanying notes should be read together with the audited consolidated financial statements included in our 2022 Annual Report. Interim financial results are not necessarily indicative of the results that may be expected for the full year.

### ***Discontinued Operations***

The Company determined that the spin-off of the OmniAb Business in November 2022 met the criteria for classification as a discontinued operation in accordance with ASC Subtopic 205-20, *Discontinued Operations* (“ASC 205-20”). Accordingly, the accompanying condensed consolidated financial statements have been updated to present the results of all discontinued operations reported as a separate component of loss in the condensed consolidated statements of operations and comprehensive loss (see Note 2, *Spin-off of OmniAb*). All disclosures have been adjusted to reflect continuing operations.

### ***Significant Accounting Policies***

We have described our significant accounting policies in *Note 1, Basis of Presentation and Summary of Significant Accounting Policies* of the Notes to Consolidated Financial Statements in our 2022 Annual Report.

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

The preparation of condensed consolidated financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and the accompanying notes. Actual results may differ from those estimates.

### ***Revenue***

Our revenue is generated primarily from royalties on sales of products commercialized by our partners, Captisol material sales, and contract revenue for services, license fees and development, regulatory and sales based milestone payments.

We apply the following five-step model in accordance with ASC 606, *Revenue from Contracts with Customers*, in order to determine the revenue: (i) identification of the promised goods or services in the contract; (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.

### ***Royalties***

We receive royalty revenue on sales by our partners of products covered by patents that we or our partners own under contractual agreements. We do not have future performance obligations under these license arrangements. We generally satisfy our obligation to grant intellectual property rights on the effective date of the contract. However, we apply the royalty recognition constraint required under the guidance for sales-based royalties which requires a royalty to be recorded no sooner than the underlying sale occurs. Therefore, royalties on sales of products commercialized by our partners are recognized in the quarter the product is sold. Our partners generally report sales information to us on a one quarter lag. Thus, we estimate the expected royalty proceeds based on an analysis of historical experience and interim data provided by our partners including their publicly announced sales. Differences between actual and estimated royalty revenues, which have not been material, are adjusted in the period in which they become known, typically the following quarter.

#### *Captisol Sales*

Revenue from Captisol sales is recognized when control of Captisol material is transferred or intellectual property license rights are granted to our customers in an amount that reflects the consideration we expect to receive from our customers in exchange for those products or rights. A performance obligation is considered distinct from other obligations in a contract when it provides a benefit to the customer either on its own or together with other resources that are readily available to the customer and is separately identified in the contract. For Captisol material or intellectual property license rights, we consider our performance obligation satisfied once we have transferred control of the product or granted the intellectual property rights, meaning the customer has the ability to use and obtain the benefit of the Captisol material or intellectual property license right. We recognize revenue for satisfied performance obligations only when we determine there are no uncertainties regarding payment terms or transfer of control. Sales tax and other taxes we collect concurrent with revenue-producing activities are excluded from revenue. We have elected to recognize the cost of freight and shipping when control over Captisol material has transferred to the customer as an expense in Cost of Captisol. We expense incremental costs of obtaining a contract when incurred if the expected amortization period of the asset that we would have recognized is one year or less or the amount is immaterial. We did not incur any incremental costs of obtaining a contract during the periods reported.

#### *Contract Revenue*

Our contracts with customers often include variable consideration in the form of contingent milestone payments. We include contingent milestone payments in the estimated transaction price when it is probable a significant reversal in the amount of cumulative revenue recognized will not occur. These estimates are based on historical experience, anticipated results and our best judgment at the time. If the contingent milestone payment is based on sales, we apply the royalty recognition constraint and record revenue when the underlying sale has taken place. Significant judgments must be made in determining the transaction price for our sales of intellectual property. Because of the risk that products in development with our partners will not reach development milestones or receive regulatory approval, we generally recognize any contingent payments that would be due to us upon the development milestone or regulatory approval. Depending on the terms of the arrangement, we may also defer a portion of the consideration received if we have to satisfy a future obligation, which typically occurs with our contracts for R&D services.

For R&D services we recognize revenue over time and we measure our progress using an input method. The input methods we use are based on the effort we expend or costs we incur toward the satisfaction of our performance obligation. We estimate the amount of effort we expend, including the time it will take us to complete the activities, or the costs we may incur in a given period, relative to the estimated total effort or costs to satisfy the performance obligation. This results in a percentage that we multiply by the transaction price to determine the amount of revenue we recognize each period. This approach requires us to make numerous estimates and use significant judgement. If our estimates or judgements change over the course of the collaboration, they may affect the timing and amount of revenue that we recognize in the current and future periods.

Some customer contracts are sublicenses which require that we make payments to an upstream licensor related to license fees, milestones and royalties which we receive from customers. In such cases, we evaluate the determination of gross revenue as a principal versus net revenue as an agent reporting based on each individual agreement.

#### *Deferred Revenue*

Depending on the terms of the arrangement, we may also defer a portion of the consideration received because we have to satisfy a future obligation.

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables (contract assets), and customer advances and deposits (contract liabilities) on the consolidated balance sheet. Except for royalty revenue and certain service revenue, we generally receive payment at the point we satisfy our obligation or soon after. Therefore, we do not generally carry any contract asset balance. Any fees billed in advance of being earned are recorded as deferred revenue. During the three months ended March 31, 2023 and 2022, the amount recognized as revenue that was previously deferred was \$0.1 million, and \$0.3 million, respectively.

#### *Disaggregation of Revenue*

The following table represents disaggregation of royalties, Captisol and contract revenue (in thousands):

	Three months ended	
	March 31,	
	2023	2022
<b>Royalties</b>		
Kyprolis	\$ 6,228	\$ 4,622
Evomela	2,550	2,701
Teriparatide injection	3,500	2,911
Rylaze	2,609	1,649
Other	2,267	1,549
	<u>\$ 17,154</u>	<u>\$ 13,432</u>
<b>Captisol</b>		
Captisol - Core	\$ 10,622	\$ 6,226
Captisol - COVID <sup>(1)</sup>	—	5,896
	<u>\$ 10,622</u>	<u>\$ 12,122</u>
<b>Contract revenue</b>		
License Fees	114	2,081
Milestone	15,300	5,993
Other	789	2,888
	<u>\$ 16,203</u>	<u>\$ 10,962</u>
<b>Total</b>	<u>\$ 43,979</u>	<u>\$ 36,516</u>

(1) Captisol - COVID represents revenue on Captisol supplied for use in formulation with remdesivir, an antiviral treatment for COVID-19.

### Short-term Investments

Our short-term investments consist of the following at March 31, 2023 and December 31, 2022 (in thousands):

March 31, 2023	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Bank deposits	\$ 19,691	\$ 3	\$ (26)	\$ 19,668
Corporate bonds	9,592	63	(37)	9,618
Agency bonds	979	2	—	981
Commercial paper	13,461	2	(9)	13,454
Municipal bonds	1,005	—	(5)	1,000
Corporate equity securities	5,775	—	(4,120)	1,655
Bond fund	82,678	—	(807)	81,871
US government securities	6,243	2	(47)	6,198
Warrants	—	133	—	133
	<u>\$ 139,424</u>	<u>\$ 205</u>	<u>\$ (5,051)</u>	<u>\$ 134,578</u>
Viking common stock				59,359
Total short-term investments				<u>\$ 193,937</u>
<b>December 31, 2022</b>				
Bank deposits	\$ 5,012	\$ 2	\$ (34)	\$ 4,980
Corporate bonds	6,701	13	(58)	6,656
Commercial paper	7,211	3	—	7,214
Corporate equity securities	5,807	262	(4,239)	1,830
Bond fund	81,815	—	(1,050)	80,765
U.S. government securities	2,232	—	(70)	2,162
Warrants	—	135	—	135
	<u>\$ 108,778</u>	<u>\$ 415</u>	<u>\$ (5,451)</u>	<u>\$ 103,742</u>
Viking common stock				63,122
Total short-term investments				<u>\$ 166,864</u>

During the three months ended March 31, 2023, we sold 3.2 million shares of Viking common stock and recognized realized gain of \$0.5 million in total.

Gain (loss) from short-term investments in our condensed consolidated statements of operations includes both realized and unrealized gain (loss) from our short-term investments in public equity and warrant securities.

Allowances are recorded for available-for-sale debt securities with unrealized losses. This limits the amount of credit losses that can be recognized for available-for-sale debt securities to the amount by which carrying value exceeds fair value and requires the reversal of previously recognized credit losses if fair value increases. The provisions of the credit losses standard did not have a material impact on our available-for-sale debt securities during the three months ended March 31, 2023.

The following table summarizes our available-for-sale debt securities by contractual maturity (in thousands):

	March 31, 2023	
	Amortized Cost	Fair Value
Within one year	\$ 123,794	\$ 123,681
After one year through five years	10,903	10,962
Total	<u>\$ 134,697</u>	<u>\$ 134,643</u>

Our investment policy is capital preservation and we only invest in U.S.-dollar denominated investments. We held a total of 68 investments which were in an unrealized loss position with a total of \$0.1 million unrealized losses as of March 31, 2023. We believe that we will collect the principal and interest due on our debt securities that have an amortized cost in excess of fair value. The unrealized losses are largely due to changes in interest rates and not to unfavorable changes in the credit quality associated with these securities that impacted our assessment on collectability of principal and interest. We do not intend to sell these securities and it is not more-likely-than-not that we will be required to sell these securities before the recovery of the amortized cost basis. Accordingly, no credit losses were recognized for the three months ended March 31, 2023.

### Accounts Receivable and Allowance for Credit Losses

Our accounts receivable arise primarily from sales on credit to customers. We establish an allowance for credit losses to present the net amount of accounts receivable expected to be collected. The allowance is determined by using the loss-rate method, which requires an estimation of loss rates based upon historical loss experience adjusted for factors that are relevant to determining the expected collectability of accounts receivable. Some of these factors include macroeconomic conditions that correlate with historical loss experience, delinquency trends, aging behavior of receivables and credit and liquidity quality indicators for industry groups, customer classes or individual customers. During the three months ended March 31, 2023, we considered the current and expected future economic and market conditions and concluded an increase of \$0.1 million of allowance for credit losses as of March 31, 2023.

### Inventory

Inventory, which consists of finished goods, is stated at the lower of cost or net realizable value. We determine cost using the specific identification method.

We analyze our inventory levels periodically and write down inventory to net realizable value if it has become obsolete, has a cost basis in excess of its expected net realizable value or is in excess of expected requirements. There were no write-downs recorded against inventory for the three months ended March 31, 2023 and 2022. As of March 31, 2023 inventory consists of Captisol prepayments of \$5.4 million, and as of December 31, 2022 inventory consists of Captisol prepayments of \$5.9 million.

### Goodwill and Other Identifiable Intangible Assets

Goodwill and other identifiable intangible assets consist of the following (in thousands):

	March 31, 2023	December 31, 2022
Indefinite-lived intangible assets		
Goodwill	\$ 105,673	\$ 105,673
Definite lived intangible assets		
Complete technology	55,211	55,211
Less: accumulated amortization	(23,450)	(22,560)
Trade name	2,642	2,642
Less: accumulated amortization	(1,610)	(1,577)
Customer relationships	29,600	29,600
Less: accumulated amortization	(18,043)	(17,670)
Contractual relationships	362,000	362,000
Less: accumulated amortization	(72,434)	(65,191)
Total goodwill and other identifiable intangible assets, net	<u>\$ 439,589</u>	<u>\$ 448,128</u>

### Commercial License Rights

Commercial license rights consist of the following (in thousands):

	March 31, 2023			December 31, 2022		
	Gross	Adjustments <sup>(1)</sup>	Net	Gross	Adjustments <sup>(2)</sup>	Net
Aziyo and CorMatrix	\$ 17,696	\$ (9,122)	\$ 8,574	\$ 17,696	\$ (9,538)	\$ 8,158
Selexis and Dianomi	10,602	(8,745)	1,857	10,602	(8,578)	2,024
Total	<u>\$ 28,298</u>	<u>\$ (17,867)</u>	<u>\$ 10,431</u>	<u>\$ 28,298</u>	<u>\$ (18,116)</u>	<u>\$ 10,182</u>

(1) Amounts represent accumulated amortization to principal of \$ 11.4 million and credit loss adjustments of \$ 6.5 million as of March 31, 2023.

(2) Amounts represent accumulated amortization to principal of \$ 11.6 million and credit loss adjustments of \$ 6.5 million as of December 31, 2022.

Commercial license rights represent a portfolio of future milestone and royalty payment rights acquired from Selexis, S.A. (Selexis) in April 2013 and April 2015, CorMatrix Cardiovascular, Inc. (CorMatrix) in May 2016, which was later acquired by Aziyo in 2017, and Dianomi Therapeutics, Inc. in January 2019. Commercial license rights acquired are accounted for as financial assets in accordance with ASC 310, *Receivables*, as further discussed in *Note 1, Basis of Presentation and Summary of Significant Accounting Policies* of the Notes to Consolidated Financial Statements in our 2022 Annual Report.

We estimated the credit losses at the individual asset level by considering the performance against the programs, the company operating performance and the macroeconomic forecast. In addition, we have judgmentally applied credit loss risk factors to the future expected payments with consideration given to the timing of the payment. Given the higher inherent credit risk

associated with longer term receivables, we applied a lower risk factor to the earlier years and progressively higher risk factors to the later years. During the three months ended March 31, 2023, we further considered the current and expected future economic and market conditions and concluded no further adjustment was needed on the allowance for credit losses as of March 31, 2023.

#### **Accrued Liabilities**

Accrued liabilities consist of the following (in thousands):

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Compensation	\$ 1,729	\$ 6,201
Professional fees	834	662
Amounts owed to former licensees	45	3,989
Royalties owed to third parties	7,700	12
Supplier	678	634
Other	3,991	4,183
Total accrued liabilities	<u>\$ 14,977</u>	<u>\$ 15,681</u>

#### **Share-Based Compensation**

Share-based compensation expense for awards to employees and non-employee directors is a non-cash expense and is recognized on a straight-line basis over the vesting period. The following table summarizes share-based compensation expense recorded as components of research and development expenses and general and administrative expenses for the periods indicated (in thousands):

	<b>Three months ended March 31,</b>	
	<b>2023</b>	<b>2022<sup>(a)</sup></b>
SBC - Research and development expenses	\$ 1,707	\$ 2,196
SBC - General and administrative expenses	4,224	4,913
	<u>\$ 5,931</u>	<u>\$ 7,109</u>

(a) Prior period amounts have been retrospectively adjusted to reflect the effects of the Separation.

The fair-value for options that were awarded to employees and directors was estimated at the date of grant using the Black-Scholes option valuation model with the following weighted-average assumptions:

	<b>Three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Risk-free interest rate	4.1%	1.6%
Dividend yield	—	—
Expected volatility	53%	50%
Expected term (years)	5.3	4.7

A limited amount of performance-based restricted stock units (PSUs) contain a market condition based on our relative total shareholder return ranked on a percentile basis against the NASDAQ Biotechnology Index over a three year performance period, with a range of 0% to 200% of the target amount granted to be issued under the award. Share-based compensation cost for these PSUs is measured using the Monte-Carlo simulation valuation model and is not adjusted for the achievement, or lack thereof, of the performance conditions.

#### **Net Income (Loss) Per Share**

Basic net income (loss) per share is calculated by dividing net (loss) income by the weighted average number of common shares outstanding during the period. Diluted net income per share is computed based on the sum of the weighted average number of common shares and potentially dilutive common shares outstanding during the period. Diluted net loss per share is computed based on the sum of the weighted average number of common shares outstanding during the period.

Potentially dilutive common shares consist of shares issuable under the 2023 Notes, stock options and restricted stock. The 2023 Notes have a dilutive impact when the average market price of our common stock exceeds the maximum conversion price. It is our intent and policy to settle conversions through combination settlement, which involves payment in cash equal to the principal portion and delivery of shares of common stock for the excess of the conversion value over the principal portion. Potentially dilutive common shares from stock options and restricted stock are determined using the average share price for each period under the treasury stock method. In addition, the following amounts are assumed to be used to repurchase shares: proceeds from exercise of stock options and the average amount of unrecognized compensation expense for the awards. See *Note 4, Convertible Senior Notes* and *Note 6, Stockholders' Equity*.

In accordance with ASC 260, *Earnings per Share*, if a company had a discontinuing operation, the company uses income from continuing operations, adjusted for preferred dividends and similar adjustments, as its control number to determine whether potential common shares are dilutive. The following table presents the calculation of weighted average shares used to calculate basic and diluted earnings per share (in thousands):

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2023</b>	<b>2022</b>
Weighted average shares outstanding:	17,063	16,824
Dilutive potential common shares:		
Restricted stock	86	—
Stock options	341	—
2023 convertible senior notes	484	—
Shares used to compute diluted income per share	<u>17,974</u>	<u>16,824</u>
Potentially dilutive shares excluded from calculation due to anti-dilutive effect	4,359	6,001



## 2. Spin-off of OmniAb

On March 23, 2022, we entered into the Separation Agreement to separate our OmniAb Business and the Merger Agreement, pursuant to which APAC would combine with OmniAb, and acquire Ligand's OmniAb Business, in a Reverse Morris Trust transaction (collectively, the "Transactions"). In connection with the execution of the Merger Agreement, we made organizational changes to better align our organizational structure with our strategy and operations, and management reorganized the reportable segments to better reflect how the business is evaluated by the chief operating decision maker. Beginning in the first quarter of 2022, we operated the following two reportable segments: (1) OmniAb Business and (2) Ligand core business. The OmniAb Business segment was focused on enabling the discovery of therapeutic candidates for our partners by pairing antibody repertoires generated from our proprietary transgenic animals with our OmniAb Business platform screening tools. The Ligand core business segment is a biopharmaceutical business focused on developing or acquiring technologies that help pharmaceutical companies deliver and develop medicines.

After the closing date of the Transactions on November 1, 2022, the historical financial results of OmniAb have been reflected in our consolidated financial statements as discontinued operations under GAAP for all periods presented through the date of the Distribution. Pursuant to the Transaction Agreements, Ligand contributed to OmniAb cash and certain specific assets and liabilities constituting the OmniAb Business. Pursuant to the Distribution, Ligand distributed on a pro rata basis to its shareholders as of October 26, 2022 shares of the common stock of OmniAb representing 100% of Ligand's interest in OmniAb. Immediately following the Distribution, Merger Sub merged with and into OmniAb, with OmniAb continuing as the surviving company in the Merger and as a wholly owned subsidiary of New OmniAb. The entire transaction was completed on November 1, 2022, and following the Merger, New OmniAb is an independent, publicly traded company whose common stock trades on NASDAQ under the symbol "OABI." After the Distribution, we do not beneficially own any shares of common stock in OmniAb and no longer consolidate OmniAb into our financial results for periods ending after November 1, 2022.

### Discontinued operations

In connection with the Merger, the Company determined its antibody discovery business qualified for discontinued operations accounting treatment in accordance with ASC 205-20. We recognized a \$1.7 million tax provision adjustment related to deferred taxes during the three months ended March 31, 2023 that was attributable to the discontinued operations. The following table summarizes revenue and expenses of the discontinued operations for the three months ended March 31, 2022 (in thousands):

	Three months ended March 31, 2022
<b>Revenues:</b>	
Royalties	\$ 263
Contract revenue	8,914
Total revenues	<u>9,177</u>
<b>Operating costs and expenses:</b>	
Amortization of intangibles	3,233
Research and development	11,128
General and administrative	6,255
Total operating costs and expenses	<u>20,616</u>
Loss from operations	<u>(11,439)</u>
<b>Other income (expense):</b>	
Other income, net	443
Total other expense, net	<u>443</u>
Loss before income tax	(10,996)
Income tax benefit	8,540
<b>Net loss</b>	<u><u>\$ (2,456)</u></u>

The following table summarizes the significant non-cash items, capital expenditures of the discontinued operations, and financing activities that are included in the consolidated statements of cash flows for the three months ended March 31, 2022 (in thousands):

	Three months ended March 31, 2022
<b>Operating activities:</b>	
Change in fair value of contingent consideration	\$ (443)
Depreciation and amortization	4,207
Stock-based compensation expense	1,935
<b>Investing activities:</b>	
Purchase of property, plant and equipment	(3,143)
<b>Financing activities:</b>	
Payments to CVR Holders	\$ (1,416)
<b>Supplemental cash flow disclosures:</b>	
Purchases of property, plant and equipment included in accounts payable and accrued expenses	\$ 140

### 3. Fair Value Measurements

#### Assets and Liabilities Measured on a Recurring Basis

The following table presents the hierarchy for our assets and liabilities measured at fair value (in thousands):

	March 31, 2023				December 31, 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets:</b>								
Short-term investments, excluding Viking <sup>(1)</sup>	\$ 7,853	\$ 126,592	\$ 133	\$ 134,578	\$ 3,992	\$ 99,615	\$ 135	\$ 103,742
Investment in Viking common stock	59,359	—	—	59,359	63,122	—	—	63,122
Total assets	\$ 67,212	\$ 126,592	\$ 133	\$ 193,937	\$ 67,114	\$ 99,615	\$ 135	\$ 166,864
<b>Liabilities:</b>								
CyDex contingent liabilities	\$ —	\$ —	\$ 86	\$ 86	\$ —	\$ —	\$ 84	\$ 84
Metabasis contingent liabilities <sup>(2)</sup>	—	2,757	—	2,757	—	3,429	—	3,429
Amounts owed to former licensor	44	—	—	44	44	—	—	44
Total liabilities	\$ 44	\$ 2,757	\$ 86	\$ 2,887	\$ 44	\$ 3,429	\$ 84	\$ 3,557

- Excluding our investment in Viking, our short-term investments in marketable debt and equity securities are classified as available-for-sale securities based on management's intentions and are at level 2 of the fair value hierarchy, as these investment securities are valued based upon quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market. Short-term investments in mutual funds are valued at their net asset value (NAV) on the last day of the period. We have classified marketable securities with original maturities of greater than one year as short-term investments based upon our ability and intent to use any and all of those marketable securities to satisfy the liquidity needs of our current operations. In addition, we have investment in warrants resulting from Seelos Therapeutics Inc. milestone payments that were settled in shares during the first quarter of 2019 and are at level 3 of the fair value hierarchy, based on Black-Scholes value estimated by management on the last day of the period.
- In connection with our acquisition of Metabasis in January 2010, we issued Metabasis stockholders four tradable CVRs, one CVR from each of four respective series of CVR, for each Metabasis share. The CVRs entitle Metabasis stockholders to cash payments as frequently as every six months as cash is received by us from proceeds from the sale or partnering of any of the Metabasis drug development programs, among other triggering events. The liability for the CVRs is determined using quoted prices in a market that is not active for the underlying CVR. The carrying amount of the liability may fluctuate significantly based upon quoted market prices and actual amounts paid under the agreements may be materially different than the carrying amount of the liability. Several of the Metabasis drug development programs have been outlicensed to Viking, including VK2809. VK2809 is a novel selective TR- $\beta$  agonist with potential in multiple indications, including hypercholesterolemia, dyslipidemia, NASH, and X-ALD. Under the terms of the agreement with Viking, we may be entitled to up to \$375.0 million of development, regulatory and commercial milestones and tiered royalties on potential future sales including a \$10.0 million payment upon initiation of a Phase 3 clinical trial. During the three months ended March 31, 2023, we adjusted the balance of the Metabasis CVR liability by reducing \$0.7 million to mark to market.

A reconciliation of the level 3 financial instruments as of March 31, 2023 is as follows (in thousands):

Fair value of level 3 financial instruments as of December 31, 2022	\$ 84
Fair value adjustments to contingent liabilities	2
Fair value of level 3 financial instruments as of March 31, 2023	<u>\$ 86</u>

### *Assets Measured on a Non-Recurring Basis*

We apply fair value techniques on a non-recurring basis associated with valuing potential impairment losses related to our goodwill, indefinite-lived intangible assets and long-lived assets.

We evaluate goodwill and indefinite-lived intangible assets annually for impairment and whenever circumstances occur indicating that goodwill might be impaired. We determine the fair value of our reporting unit based on a combination of inputs, including the market capitalization of Ligand, as well as Level 3 inputs such as discounted cash flows, which are not observable from the market, directly or indirectly. We determine the fair value of our indefinite-lived intangible assets using the income approach based on Level 3 inputs.

There was no impairment of our goodwill, indefinite-lived assets, or long-lived assets recorded during the three months ended March 31, 2023 and March 31, 2022.

## **4. Convertible Senior Notes**

### **0.75% Convertible Senior Notes due 2023**

In May 2018, we issued \$750.0 million aggregate principal amount of 2023 Notes, bearing cash interest at a rate of 0.75% per year, payable semi-annually. The net proceeds from the offering, after deducting the initial purchasers' discount and offering expenses, were approximately \$733.1 million. The 2023 Notes will be convertible into cash, shares of common stock, or a combination of cash and shares of common stock, at our election, based on a conversion rate as discussed below.

Holders of the 2023 Notes were entitled to convert the notes at any time prior to the close of business on the business day immediately preceding November 15, 2022, under any of the following circumstances:

- (1) during any fiscal quarter (and only during such fiscal quarter) commencing after September 30, 2018, if, for at least 20 trading days (whether or not consecutive) during the 30 consecutive trading day period ending on the last trading day of the immediately preceding fiscal quarter, the last reported sale price of our common stock on such trading day was greater than 130% of the conversion price on such trading day;
- (2) during the five business day period immediately following any 10 consecutive trading day period, in which the trading price per \$1,000 principal amount of notes was less than 98% of the product of the last reported sale price of our common stock on such trading day and the conversion rate on each such trading day; or
- (3) upon the occurrence of certain specified corporate events as specified in the indenture governing the notes (the "Indenture").

In addition, on or after November 15, 2022 and prior to the close of business on May 11, 2023 (the second scheduled trading day preceding May 15, 2023, which is the maturity date), holders of the 2023 Notes are entitled to convert the notes without regard to the conditions described above applicable to conversions prior to November 15, 2022.

In advance of the Distribution of the shares of common stock of OmniAb to Ligand's shareholders on November 1, 2022, a notice of convertibility was delivered to the holders of the 2023 Notes. No holders exercised their right to convert their 2023 Notes during the applicable period for conversion. After we completed the Separation of the OmniAb Business, on November 15, 2022, the conversion rate was adjusted to 4.8390 shares of common stock per \$1,000 principal amount of the 2023 Notes which represents a conversion price of approximately \$206.65 per share. The maximum conversion rate of the 2023 Notes was adjusted to 6.2907 per \$1,000 principal amount of the 2023 Notes which represents a conversion price of approximately \$158.97. The conversion rate for the 2023 Notes was adjusted in accordance with the requirements of the Indenture based on calculations determined with reference to a valuation period of the first 10 consecutive trading days after, and including, the ex-dividend date of the spin-off (as determined in the Indenture). The conversion rate and maximum conversion rate are subject to further adjustment under the circumstances and pursuant to the terms set forth in the Indenture.

The notes will have a dilutive effect to the extent the average market price per share of common stock for a given reporting period exceeds the current conversion price of \$206.65. In connection with the issuance of the 2023 Notes, we incurred \$16.9 million of issuance costs, which primarily consisted of underwriting, legal and other professional fees, and is being amortized to interest expense using the effective interest method over the five year expected life of the 2023 Notes, and the effective interest rate as of March 31, 2023 is 0.5%. During the three months ended March 31, 2023 we recognized a total of \$0.2 million in interest expense which includes \$0.1 million in contractual interest expense and \$0.1 million in amortized issuance costs.

It is our intent and policy to settle conversions through combination settlement, which essentially involves payment in cash equal to the principal portion and delivery of shares of common stock for the excess of the conversion value over the principal portion.

During the three months ended March 31, 2022, we repurchased \$165.8 million in principal amount of the 2023 Notes for \$163.7 million in cash, including accrued interest of \$0.4 million. We accounted for the repurchase as a debt extinguishment, which resulted in a gain of \$.5 million reflected in other income (expense), net, in our consolidated statement of operations for the three months ended March 31, 2022, and a \$0.9 million reduction in debt discount. There was no repurchase of 2023 Notes during the three months ended March 31, 2023.

#### *Convertible Bond Hedge and Warrant Transactions*

In conjunction with the 2023 Notes, in May 2018, we entered into convertible bond hedges and sold warrants covering 3,018,327 shares of our common stock to minimize the impact of potential dilution to our common stock and/or offset the cash payments we are required to make in excess of the principal amount upon conversion of the 2023 Notes. The convertible bond hedges have an exercise price of \$206.65 per share and are exercisable when and if the 2023 Notes are converted. We paid \$40.3 million for these convertible bond hedges. If upon conversion of the 2023 Notes, the price of our common stock is above the exercise price of the convertible bond hedges, the counterparties will deliver shares of common stock and/or cash with an aggregate value approximately equal to the difference between the price of common stock at the conversion date and the exercise price, multiplied by the number of shares of common stock related to the convertible bond hedge transaction being exercised. The convertible bond hedges and warrants described below are separate transactions entered into by us and are not part of the terms of the 2023 Notes. Holders of the 2023 Notes and warrants will not have any rights with respect to the convertible bond hedges.

Concurrently with the convertible bond hedge transactions, we entered into warrant transactions whereby we sold warrants covering approximately 3,018,327 shares of common stock with an exercise price of approximately \$315.38 per share, subject to certain adjustments. We received \$90.0 million for these warrants. The warrants have various expiration dates ranging from August 15, 2023 to February 6, 2024. The warrants will have a dilutive effect to the extent the market price per share of common stock exceeds the applicable exercise price of the warrants, as measured under the terms of the warrant transactions. The common stock issuable upon exercise of the warrants will be in unregistered shares, and we do not have the obligation and do not intend to file any registration statement with the SEC registering the issuance of the shares under the warrants.

In January 2021, in connection with the repurchases of approximately \$20.3 million in principal of the 2023 Notes for approximately \$19.1 million in cash, including accrued interest of \$0.1 million, during the quarter ended December 31, 2020, we entered into amendments with Barclays Bank PLC, Deutsche Bank AG, London Branch, and Goldman Sachs & Co. LLC to the convertible note hedges transactions we initially entered into in connection with the issuance of the 2023 Notes. The amendments provide that the options under the convertible note hedges corresponding to such repurchased 2023 Notes will remain outstanding notwithstanding such repurchase.

During the year ended December 31, 2021, in connection with the repurchases of \$52.0 million in principal of the 2023 Notes for \$56.0 million in cash, including accrued interest of \$0.3 million, we entered into Warrant Early Unwind Agreements and Bond Hedge Unwind Agreements with Barclays Bank PLC, Deutsche Bank AG, and Goldman Sachs & Co. LLC to unwind a portion of the convertible note hedges transactions we initially entered into in connection with the issuance of the 2023 Notes. We paid \$18.4 million as part of the Warrant Early Unwind Agreements reducing the number of shares covered by the warrants from 3,018,327 to 2,559,254.

In August 2022, in connection with the repurchases of \$227.8 million in principal of the 2023 Notes for \$223.7 million in cash, including accrued interest of \$0.4 million made during the six months ended June 30, 2022, we entered into Bond Hedge Unwind Agreements with Barclays Bank PLC, Deutsche Bank AG, and Goldman Sachs & Co. LLC to unwind a portion of the convertible note hedges transactions we initially entered into in connection with the issuance of the 2023 Notes.

The following table summarizes information about the 2023 Notes (in thousands):

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Principal amount of the 2023 Notes outstanding	\$ 76,854	\$ 76,854
Unamortized discount (including unamortized debt issuance cost)	(64)	(159)
Total notes payable	<u>\$ 76,790</u>	<u>\$ 76,695</u>
Fair value of the 2023 Notes outstanding (Level 2)	\$ 76,107	\$ 74,789

## **5. Income Tax**

Our effective tax rate may vary from the U.S. federal statutory tax rate due to the change in the mix of earnings in various state jurisdictions with different statutory rates, benefits related to tax credits, and the tax impact of non-deductible expenses, stock award activities and other permanent differences between income before income taxes and taxable income. The effective tax rate for the three months ended March 31, 2023 and 2022 was 21.5% and (41.4)%, respectively. The variance from the U.S. federal statutory tax rate of 21% for the three months ended March 31, 2023 was due primarily due to Internal Revenue Code Section 162(m) limitation on deduction for officer compensation, non-deductible incentive stock option (ISO) related stock compensation expense, which were partially offset by foreign derived intangible income tax benefit during the period. The variance from the U.S. federal tax rate of 21% for the three months ended March 31, 2022 was primarily due to the tax deductions related to foreign derived intangible income tax benefit as well as the research and development tax credits, which were partially offset by Section 162(m) limitation during the period.

## 6. Stockholders' Equity

We grant options and awards to employees and non-employee directors pursuant to a stockholder approved stock incentive plan, which is described in further detail in *Note 9, Stockholders' Equity*, of the Notes to Consolidated Financial Statements in our 2022 Annual Report.

The following is a summary of our stock option and restricted stock activity and related information:

	Stock Options		Restricted Stock Awards	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Grant Date Fair Value
Balance as of December 31, 2022	2,991,473	\$ 61.31	348,453	\$ 75.60
Granted	409,591	\$ 74.55	194,615	\$ 84.02
Options exercised/RSUs vested	(93,598)	\$ 38.99	(153,431)	\$ 77.39
Forfeited	(69,853)	\$ 61.33	(12,635)	\$ 59.84
Balance as of March 31, 2023	3,237,613	\$ 63.63	377,002	\$ 79.75

As of March 31, 2023, outstanding options to purchase 1.8 million shares were exercisable with a weighted average exercise price per share of \$61.91.

### Employee Stock Purchase Plan

The price at which common stock is purchased under the Amended Employee Stock Purchase Plan, or ESPP, is equal to 85% of the fair market value of the common stock on the first or last day of the offering period, whichever is lower. As of March 31, 2023, 35,881 shares were available for future purchases under the ESPP.

### At-the Market Equity Offering Program

On September 30, 2022, we filed a registration statement on Form S-3 (the "Shelf Registration Statement"), which became automatically effective upon filing, covering the offering of common stock, preferred stock, debt securities, warrants and units.

On September 30, 2022, we also entered into an At-The-Market Equity Offering Sales Agreement (the "Sales Agreement") with Stifel, Nicolaus & Company, Incorporated (the "Agent"), under which we may, from time to time, sell shares of our common stock having an aggregate offering price of up to \$100.0 million in "at the market" offerings through the Agent (the "ATM Offering"). The Shelf Registration Statement included a prospectus covering the offering, issuance and sale of up to \$100.0 million of our common stock from time to time through the ATM Offering. The shares to be sold under the Sales Agreement may be issued and sold pursuant to the Shelf Registration Statement. To date, we have not issued any shares of common stock in the ATM Offering.

## 7. Commitment and Contingencies

### Legal Proceedings

We record an estimate of a loss when the loss is considered probable and estimable. Where a liability is probable and there is a range of estimated loss and no amount in the range is more likely than any other number in the range, we record the minimum estimated liability related to the claim in accordance with ASC 450, *Contingencies*. As additional information becomes available, we assess the potential liability related to our pending litigation and revises our estimates. Revisions in our estimates of potential liability could materially impact our results of operations.

On October 31, 2019, we received three civil complaints filed in the U.S. District Court for the Northern District of Ohio on behalf of several Indian tribes. The Northern District of Ohio is the Court that the Judicial Panel on Multi-District Litigation

("JPML") has assigned more than one thousand civil cases which have been designated as a Multi-District Litigation ("MDL") and captioned In Re: National Prescription Opiate Litigation. The allegations in these complaints focus on the activities of defendants other than the Company and no individualized factual allegations have been advanced against us in any of the 3 complaints. We reject all claims raised in the complaints and intend to vigorously defend these matters.

From time to time, we may also become subject to other legal proceedings or claims arising in the ordinary course of our business. We currently believe that none of the claims or actions pending against us is likely to have, individually or in the aggregate, a material adverse effect on our business, financial condition or results of operations. Given the unpredictability inherent in litigation, however, we cannot predict the outcome of these matters.

***Operating Leases***

During the first quarter of 2023, we entered into an amendment to the lease agreement for our headquarters office located in San Diego, California, which resulted in a \$.1 million increase in both operating lease assets and operating lease liabilities as of March 31, 2023.

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

**Caution:** *This discussion and analysis may contain predictions, estimates and other forward-looking statements that involve a number of risks and uncertainties, including those discussed in Part II, Item 1A. Risk Factors. This outlook represents our current judgment on the future direction of our business. These statements include those related to our future results of operations and financial position, Captisol-related revenues and Kyprolis and other product royalty revenues and milestones under license agreements, product development, and product regulatory filings and approvals, and the timing thereof. Actual events or results may differ materially from our expectations. For example, there can be no assurance that our revenues or expenses will meet any expectations or follow any trend(s), that we will be able to retain our key employees or that we will be able to enter into any strategic partnerships or other transactions. We cannot assure you that we will receive expected Kyprolis, Captisol and other product revenues to support our ongoing business or that our internal or partnered pipeline products will progress in their development, gain marketing approval or achieve success in the market. In addition, ongoing or future arbitration, litigation or disputes with third parties may have a material adverse effect on us. Such risks and uncertainties, and others, could cause actual results to differ materially from any future performance suggested. We undertake no obligation to make any revisions to these forward-looking statements to reflect events or circumstances arising after the date of this quarterly report. This caution is made under the safe harbor provisions of Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act.*

*We use our trademarks, trade names and services marks in this report as well as trademarks, trade names and service marks that are the property of other organizations. Solely for convenience, trademarks and trade names referred to in this report appear without the ® and ™ symbols, but those references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or that the applicable owner will not assert its rights, to these trade marks and trade names.*

References to “Ligand Pharmaceuticals Incorporated,” “Ligand,” the “Company,” “we” or “our” include Ligand Pharmaceuticals Incorporated and our wholly-owned subsidiaries.

### Overview

Our business is focused on acquiring or funding programs and technologies that life science companies use to discover and develop medicines. Our business model provides a diversified portfolio of biotech and pharmaceutical product revenue streams that are supported by an efficient and low corporate cost structure. Our goal is to offer investors an opportunity to participate in the promise of the biotech industry in a profitable and diversified manner.

Our business model is focused on funding mid to late-stage drug development in return for economic rights and outlicensing our technology platforms to help partners discover and develop medicines. We partner with other pharmaceutical companies to leverage what they do best (late-stage development, regulatory management and commercialization) ultimately to generate our revenue. Our Captisol platform technology is a chemically modified cyclodextrin with a structure designed to optimize the solubility and stability of drugs. Our Pelican Expression Technology is a validated, cost-effective and scalable platform for recombinant protein production that is especially well-suited for complex, large-scale protein production where traditional systems are not. We have established multiple alliances, licenses and other business relationships with the world’s leading pharmaceutical companies including Amgen, Merck, Pfizer, Jazz, Gilead Sciences and Baxter International.

Our revenue consists of three primary elements: royalties from commercialized products, sales of Captisol material, and contract revenue from license, milestone and other service payments. We selectively pursue acquisitions and drug development funding opportunities that address high unmet clinical needs to bring in new assets, pipelines, and technologies to aid in generating additional potential new revenue streams.

### OmniAb Separation and Spin-Off

On March 23, 2022, we entered into the Merger Agreement, by and among our company, APAC (which later became New OmniAb), OmniAb and Merger Sub, pursuant to which New OmniAb combined with OmniAb, our then-antibody discovery business, in a Reverse Morris Trust transaction. Pursuant to the Separation Agreement, we transferred the OmniAb Business, including certain of our related subsidiaries, to OmniAb and, in connection therewith, distributed (the Distribution) to Ligand stockholders 100% of the common stock of OmniAb. Immediately following the Distribution on November 1, 2022, in accordance with and subject to the terms and conditions of the Merger Agreement, Merger Sub merged with and into OmniAb (the Merger), with OmniAb continuing as the surviving company in the Merger and as a wholly-owned subsidiary of New OmniAb. After the Distribution, we do not beneficially own any shares of common stock in OmniAb and no longer consolidate OmniAb into our financial results for periods ending after October 31, 2022. As a result, OmniAb's historical financial results are reflected in our consolidated financial statements as discontinued operations.

## Business Updates

Travere Therapeutics (Nasdaq: TVTX) received FDA accelerated approval for FILSPARI™ (sparsentan) for the treatment of IgA nephropathy (IgAN) on February 17, 2023, with commercial availability beginning in the last week of February. A review decision on sparsentan for the treatment of IgAN in Europe by the EMA is expected in the second half of 2023. On April 1, 2023, Travere announced publication in *The Lancet* of the interim analysis of efficacy and safety data from the ongoing pivotal, Phase 3 PROTECT Study evaluating sparsentan in adults with IgAN. The data were simultaneously presented in a late-breaking trials session at the World Congress of Nephrology 2023. On May 1, 2023, Travere announced that the pivotal Phase 3 DUPLEX Study evaluating sparsentan in focal segmental glomerulosclerosis (FSGS) did not achieve the primary efficacy eGFR slope endpoint over 108 weeks of treatment compared to the active control irbesartan. Travere reported that secondary and topline exploratory endpoints trended favorably and a reduction of proteinuria was sustained through 108 weeks of treatment. Travere plans to engage with regulators to explore a potential path forward for sparsentan as a treatment for FSGS in the U.S. and Europe.

Viking Therapeutics (Nasdaq: VKTX) completed enrollment in its Phase 2b clinical trial of VK2809 in patients with biopsy-confirmed non-alcoholic steatohepatitis (NASH) with topline data on the primary endpoint expected in the first half of 2023. Separately, Ligand sold 3.2 million shares of Viking stock during the quarter resulting in \$43 million of net proceeds following Viking's announcement of positive data on their VK2735 obesity program. Ligand does not have any direct economic interest in VK2735. As of March 31, 2023, Ligand owned 3.6 million shares of VKTX stock.

Novan (Nasdaq: NOVN) submitted an NDA to the U.S. FDA seeking marketing approval for berdazimer gel, 10.3% (SB206) for the topical treatment of molluscum contagiosum. The NDA has been accepted and assigned a PDUFA target date of January 5, 2024.

Palvella Therapeutics (private) announced positive topline results from its Phase 2 study of QTORIN™ rapamycin in microcystic lymphatic malformations; 100% of participants were rated by physicians as being “Much Improved” or “Very Much Improved” as measured on the Clinician Global Impression of Change following 12-weeks of dosing with QTORIN rapamycin. Results showed that QTORIN was generally well-tolerated with no drug-related severe adverse events. QTORIN rapamycin has the potential to become the first FDA-approved treatment for this serious, rare genetic skin disease and has been granted Fast Track and Orphan Drug Designation from the FDA for this indication. Palvella anticipates initiation of a pivotal Phase 3 study in the second half of 2023.

Novartis AG (NYSE: NVS) announced that the FDA granted approval for a liquid form of TAFINLAR® (dabrafenib) + MEKINIST® (trametinib) for the treatment of pediatric patients one year of age and older with lowgrade glioma (LGG) with a BRAF V600E mutation and who require systemic therapy. This is the first approval of an oral Captisol-enabled product.

Sermonix (private) announced the initiation of a registrational Phase 3 clinical study comparing targeted lasofoxifene in combination with the CDK 4/6 inhibitor abemaciclib to fulvestrant plus abemaciclib in pre- and post-menopausal subjects with locally advanced or metastatic ER+/HER2- breast cancer with an ESR1 mutation. Additionally, Sermonix announced that lasofoxifene improved vaginal/vulvar symptoms relative to fulvestrant in a study of postmenopausal women with locally advanced or metastatic estrogen receptor-positive ER+/HER2- breast cancer with an ESR1 mutation.

Anebulo Pharmaceuticals (Nasdaq: ANEB) announced completion of dosing in its randomized, double-blind, placebo-controlled, Phase 2 clinical trial evaluating ANEB-001 as a potential treatment for acute cannabinoid intoxication. The preliminary data showed ANEB-001 reduced effects of a 30 mg dose of THC, and that delayed dosing of ANEB-001 rapidly reversed pre-existing THC effects. Anebulo is targeting an End of Phase 2a meeting with FDA in the second quarter 2023.

## Results of Operations

### Revenue

(Dollars in thousands)	Q1 2023	Q1 2022 <sup>(a)</sup>	Change	% Change
Royalties	\$ 17,154	\$ 13,432	\$ 3,722	28 %
Captisol - Core	10,622	6,226	4,396	71 %
Captisol - COVID	—	5,896	(5,896)	(100) %
Contract revenue	16,203	10,962	5,241	48 %
Total revenue	\$ 43,979	\$ 36,516	\$ 7,463	20 %

(a) Prior period amounts have been retrospectively adjusted to reflect the effects of the Separation.

Total revenue increased by \$7.5 million, or 20%, to \$44.0 million in Q1 2023 compared to \$36.5 million in Q1 2022 primarily due to a \$5.2 million increase in contract revenue which was driven by the achievement of milestone tied to FDA approval of Travere's FILSPARI. Royalty revenue increased by \$3.7 million, or 28%, to \$17.2 million in Q1 2023 compared to



\$13.4 million in Q1 2022 primarily due to the increase of Kyprolis sales and sales of drugs using the Pelican platform. Core Captisol sales increased by \$4.4 million, or 71%, to \$10.6 million in Q1 2023 primarily due to the timing of customer orders. There was no Captisol sales related to COVID-19 in Q1 2023, compared with \$5.9 million for the same period in 2022.

Royalty revenue is a function of our partners' product sales and the applicable royalty rate. Kyprolis royalty rates are under a tiered royalty rate structure with the highest tier being 3%. Evomela has a fixed royalty rate of 20%. Teriparatide injection has a tiered royalty between 25% and 40% on sales that have been adjusted for certain deductible items as defined in the respective license agreement. The Rylaze royalty rate is in the low single digits. Contract revenue includes service revenue, license fees and development, regulatory and sales based milestone payments.

The following table represents royalty revenue by program (in millions):

(in millions)	Q1 2023 Estimated Partner Product Sales	Effective Royalty Rate	Q1 2023 Royalty Revenue	Q1 2022 Estimated Partner Product Sales <sup>(a)</sup>	Effective Royalty Rate <sup>(a)</sup>	Q1 2022 Royalty Revenue <sup>(a)</sup>
Kyprolis	\$ 378.9	1.6 %	\$ 6.2	\$ 298.6	1.5 %	\$ 4.6
Evomela	13.0	20.0 %	2.6	13.5	20.0 %	2.7
Teriparatide injection <sup>(b)</sup>	10.5	33.3 %	3.5	9.7	29.9 %	2.9
Rylaze	83.0	3.1 %	2.6	54.2	3.0 %	1.6
Other	158.9	1.4 %	2.3	76.3	2.1 %	1.6
Total	\$ 644.3		\$ 17.2	\$ 452.3		\$ 13.4

(a) Prior period amounts have been retrospectively adjusted to reflect the effects of the Separation.

(b) Teriparatide injection sales have been adjusted for certain deductible items as defined in the respective license agreement.

### Operating Costs and Expenses

(Dollars in thousands)	Q1 2023	% of Revenue	Q1 2022 <sup>(a)</sup>	% of Revenue
Cost of Captisol	\$ 3,717		\$ 4,699	
Amortization of intangibles	8,539		8,580	
Research and development	6,663		9,179	
General and administrative	10,855		11,925	
Total operating costs and expenses	\$ 29,774	68%	\$ 34,383	94%

(a) Prior period amounts have been retrospectively adjusted to reflect the effects of the Separation.

Total operating costs and expenses decreased by \$4.6 million, or 13%, to \$29.8 million in Q1 2023 compared to \$34.4 million in Q1 2022.

Cost of Captisol decreased by \$1.0 million, or (21)%, to \$3.7 million in Q1 2023 compared to \$4.7 million in Q1 2022, with the decrease primarily due to the lower Captisol sales this quarter.

Amortization of intangibles remained steady in Q1 2023 compared to the same period in 2022 as there have been no change to the gross balance of intangible assets over these periods.

At any one time, we are working on multiple R&D programs. As such, we generally do not track our R&D expenses on a specific program basis. Research and development expense was \$6.7 million for Q1 2023, compared with \$9.2 million for the same period of 2022, with the decrease primarily due to lower share-based compensation, employee-related expenses and lab supply expenses.

General and administrative expense was \$10.9 million for Q1 2023, compared to \$11.9 million for the same period in 2022, with the decrease primarily due to a decrease in legal expenses in connection with the OmniAb spin-off.

### Other Income (Expense)

(Dollars in thousands)	Q1 2023	Q1 2022 <sup>(a)</sup>	Change
Gain (loss) from short-term investments	\$ 39,533	\$ (12,877)	\$ 52,410
Interest income	1,435	134	1,301
Interest expense	(240)	(789)	549
Other income (expense), net	603	2,255	(1,652)
Total other income (expense), net	\$ 41,331	\$ (11,277)	\$ 52,608

(a) Prior period amounts have been retrospectively adjusted to reflect the effects of the Separation.

The fluctuation in the gain (loss) from short-term investments is primarily driven by the changes in the fair value of our ownership in Viking common stock and other equity security investments, which contributed an unrealized gain of \$19.0 million in Q1 2023 as compared to an unrealized loss of \$12.6 million in Q1 2022. In addition, during Q1 2023 we sold 3.2 million shares of Viking contributing to realized gains of \$20.5 million compared to no Viking shares sold in Q1 2022.

Interest income consists primarily of interest earned on our short-term investments. The increase over the prior year was due to the increase in interest rates, partially offset by the decrease in our short-term investment balance.

Interest expense includes the 0.75% coupon cash interest expense in addition to the non-cash accretion of discount (including the amortization of debt issuance cost) on our 2023 Notes in both Q1 2023 and Q1 2022. The decrease in interest expense was primarily due to the lower average debt outstanding balance in Q1 2023 as compared to Q1 2022. See *Note 4, Convertible Senior Notes*.

Other income (expense), net, in Q1 2023 decreased by \$1.7 million as compared to Q1 2022, primarily due to no debt extinguishment gain or loss in Q1 2023 compared to a \$1.5 million gain on extinguishment of debt during Q1 2022. See *Note 4, Convertible Senior Notes*.

#### **Income Tax Benefit (Expense)**

(Dollars in thousands)	Q1 2023	Q1 2022 <sup>(a)</sup>	Change
Income (loss) before income taxes	\$ 55,536	\$ (9,144)	\$ 64,680
Income tax benefit	(11,922)	(3,785)	(8,137)
Income (loss) from operations	\$ 43,614	\$ (12,929)	\$ 56,543
Effective tax rate	21.5 %	(41.4) %	

(a) Prior period amounts have been retrospectively adjusted to reflect the effects of the Separation.

We compute our income tax provision by applying the estimated annual effective tax rate to income from operations and adding the effects of any discrete income tax items specific to the period. The effective tax rate for the three months ended March 31, 2023 and 2022 was 21.5% and (41.4)%, respectively. The variance from the U.S. federal statutory tax rate of 21% for the three months ended March 31, 2023 was primarily due to Internal Revenue Code Section 162(m) limitation on deduction for officer compensation, non-deductible incentive stock option (ISO) related stock compensation expense, which were partially offset by foreign derived intangible income tax benefit during the period. The variance from the U.S. federal statutory tax rate of 21% for the three months ended March 31, 2022 was primarily due to the tax deductions related to foreign derived intangible income tax benefit as well as the research and development tax credits, which were partially offset by Section 162(m) limitation during the period.

#### **Net Loss from Discontinued Operations**

Net loss from discontinued operations for Q1 2023 and Q1 2022 was \$1.7 million and \$2.5 million, respectively. See additional information in *Item 1. Condensed Consolidated Financial Statements —Notes to Condensed Consolidated Financial Statements—Note (2), Spin-off Of OmniAb.*

#### **Liquidity and Capital Resources**

As of March 31, 2023, our cash, cash equivalents, and short-term investments totaled \$282.7 million, which increased by \$70.8 million from the end of last year due to factors described in the *Cash Flow Summary* below. Our primary source of liquidity, other than our holdings of cash, cash equivalents, and short-term investments, has been cash flows from operations. Our ability to generate cash from operations provides us with the financial flexibility we need to meet operating, investing, and financing needs.

Historically, we have liquidated our short-term investments and/or issued debt and equity securities to finance our business needs as a supplement to cash provided by operating activities. Our short-term investments include U.S. government debt securities, investment-grade corporate debt securities, mutual funds and certificates of deposit. We have established guidelines relative to diversification and maturities of our investments in order to provide both safety and liquidity. These guidelines are periodically reviewed and modified to take advantage of trends in yields and interest rates. Additionally, we own certain securities which are classified as short-term investments that we received as a result of a milestone and an upfront license payment as well as 3.6 million shares of common stock in Viking.

In May 2018, we issued an aggregate principal amount of \$750.0 million of the 2023 Notes. During the three months ended March 31, 2023, no 2023 Notes were repurchased. As of March 31, 2023, \$76.9 million in principal amount of the 2023 Notes remain outstanding. We plan to use existing cash to pay off the remaining 2023 Notes on the maturity date. Since November 15, 2022, the 2023 Notes have been convertible without regard to the conditions applicable to conversions prior to

such date and will continue to be until the close of business on May 11, 2023 (the second scheduled trading day preceding May 15, 2023, which is the maturity date). It is our intent and policy to settle conversions through combination settlement, which essentially involves payment in cash equal to the principal portion and delivery of shares of common stock for the excess of the conversion value over the principal portion. See *Note 4, Convertible Senior Notes*. In advance of the Distribution of the shares of common stock of OmniAb to Ligand's shareholders on November 1, 2022, a notice of convertibility was delivered to the holders of the 2023 Notes. No holders exercised their right to convert their 2023 Notes during the applicable period for conversion. After we completed the Separation of the OmniAb Business, on November 15, 2022, the conversion rate was adjusted to 4.8390 shares of common stock per \$1,000 principal amount of the 2023 Notes which represents a conversion price of approximately \$206.65 per share. The maximum conversion rate of the 2023 Notes was adjusted to 6.2907 per \$1,000 principal amount of the 2023 Notes which represents a conversion price of approximately \$158.97. The conversion rate for the 2023 Notes was adjusted in accordance with the requirements of the Indenture based on calculations determined with reference to a valuation period of the first 10 consecutive trading days after, and including, the ex-dividend date of the spin-off (as determined in the Indenture). The conversion rate and maximum conversion rate are subject to further adjustment under the circumstances and pursuant to the terms set forth in the Indenture.

On September 30, 2022, we entered into the Sales Agreement with the Agent, under which we may, from time to time, sell shares of our common stock having an aggregate offering price of up to \$100.0 million in "at the market" offerings through the Agent. Sales of the shares of common stock, if any, will be made at prevailing market prices at the time of sale, or as otherwise agreed with the Agent. The Agent will receive a commission from the Company of up to 3.0% of the gross proceeds of any shares of common stock sold under the Sales Agreement. The shares will be issued pursuant to our shelf registration statement on Form S-3 (File No. 333-267678), including the sales agreement prospectus contained therein, which automatically became effective upon filing with the SEC on September 30, 2022.

We believe that our existing funds, cash generated from operations and existing sources of and access to financing are adequate to fund our need for working capital, capital expenditures, debt service requirements, continued advancement of research and development efforts, potential stock repurchases and other business initiatives we plan to strategically pursue, including acquisitions and strategic investments.

As of March 31, 2023, we had \$2.8 million in fair value of contingent consideration liabilities associated with prior acquisitions to be settled in future periods.

#### **Cash Flow Summary**

(Dollars in thousands)

	Q1 2023		Q1 2022	
Net cash provided by (used in):				
Operating activities	\$	33,948	\$	52,011
Investing activities	\$	10,549	\$	113,881
Financing activities	\$	(775)	\$	(170,421)

During the three months ended March 31, 2023, we generated cash from operations primarily due to the increase in net income. We generated cash from investing activities primarily from sale and maturity of short-term investments including Viking shares. There was no repurchase of 2023 Notes during the three months ended March 31, 2023.

During the three months ended March 31, 2022, we repurchased \$165.8 million in principal amount of the 2023 Notes for \$163.7 million in cash, including accrued interest of \$0.4 million.

#### **Critical Accounting Policies and Estimates**

Certain of our policies require the application of management judgment in making estimates and assumptions that affect the amounts reported in our consolidated financial statements and the disclosures made in the accompanying notes. Those estimates and assumptions are based on historical experience and various other factors deemed applicable and reasonable under the circumstances. The use of judgment in determining such estimates and assumptions is by nature, subject to a degree of uncertainty. Accordingly, actual results could differ materially from the estimates made. There have been no material changes in our critical accounting policies and estimates as compared to the critical accounting policies and estimates described in our 2022 Annual Report.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

There were no material changes to our market risks in the three months ended March 31, 2023, when compared to the disclosures in Item 7A of our 2022 Annual Report.

#### **Item 4. Controls and Procedures**

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures as of March 31, 2023 were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2023 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**

For information that updates the disclosures set forth under Part I, Item 3, Legal Proceedings in our 2022 Annual Report, refer to *Note 7, Commitment and Contingencies: Legal Proceedings*, to the Condensed Consolidated Financial Statements contained in Part I, Item 1, of this report.

### **Item 1A. Risk Factors**

We do not believe that there have been any material changes to the risk factors disclosed in Part I, Item 1A of our 2022 Annual Report. The risk factors described in our 2022 Annual Report are not the only risks we face. Factors we currently do not know, factors that we currently consider immaterial or factors that are not specific to us, such as general economic conditions, may also materially adversely affect our business or our consolidated operating results, financial condition or cash flows.

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

None.

### **Item 3. Defaults Upon Senior Securities**

None.

### **Item 4. Mine Safety Disclosures**

Not applicable.

### **Item 5. Other Information**

None.

**Item 6. Exhibits**

Exhibit Number	Description of Exhibit	Incorporated by Reference			Exhibit Number	Filed Herewith
		Form	File Number	Date of Filing		
<a href="#">10.1</a>	At-the-Market Equity Offering Sales Agreement, dated September 30, 2022, by and between the Company and Stifel, Nicolaus & Company, Incorporated	S-3ASR	333-267678	9/30/2022	1.2	
<a href="#">10.2#</a>	Director Compensation and Stock Ownership Policy, as amended and restated effective April 19, 2023					X
<a href="#">10.3#*</a>	Form of Change in Control Severance Agreement					X
<a href="#">31.1</a>	Certification by Principal Executive Officer, Pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
<a href="#">31.2</a>	Certification by Principal Financial Officer, Pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
<a href="#">32.1**</a>	Certifications by 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.					X
101	The following financial information from our Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, formatted in iXBRL (inline eXtensible Business Reporting Language): (i) Consolidated Condensed Balance Sheets, (ii) Consolidated Condensed Statements of Operations, (iii) Consolidated Condensed Statement of Comprehensive Income, (iv) Consolidated Condensed Statements of Stockholders' Equity, (v) Consolidated Condensed Statements of Cash Flows, and (vi) the Notes to Consolidated Condensed Financial Statements.					X
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, formatted in Inline XBRL and contained in Exhibit 101.					X

# Indicates management contract or compensatory plan.

\* Certain schedules and annexes have been omitted in accordance with Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule and/or annex will be furnished as a supplement to the U.S. Securities and Exchange Commission upon request.

\*\* These certifications are deemed not filed for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section, nor shall they be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

**SIGNATURES**

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

Date: May 8, 2023

By: /s/ Octavio Espinoza  
Octavio Espinoza  
Chief Financial Officer  
Duly Authorized Officer and Principal Financial Officer

**LIGAND PHARMACEUTICALS INCORPORATED**  
**DIRECTOR COMPENSATION AND STOCK OWNERSHIP POLICY**  
**(Amended and Restated Effective April 19, 2023)**

**I. DIRECTOR COMPENSATION**

Non-employee members of the board of directors (the “*Board*”) of Ligand Pharmaceuticals Incorporated (the “*Company*”) shall be eligible to receive cash and equity compensation effective as of April 19, 2023 (the “*Restatement Effective Date*”), as set forth in this Director Compensation Policy. The cash compensation and stock awards described in this Director Compensation Policy shall be paid or be made, as applicable, automatically and without further action of the Board, to each member of the Board who is not an employee of the Company or any parent or subsidiary of the Company (each, an “*Independent Director*”) who may be eligible to receive such cash compensation or stock awards, unless such Independent Director declines the receipt of such cash compensation or stock awards by written notice to the Chairman of the Board. This Director Compensation Policy shall remain in effect until it is revised or rescinded by further action of the Board. The terms and conditions of this Director Compensation Policy shall supersede any prior cash or equity compensation arrangements between the Company and its directors.

1. Cash Compensation.

- a. Annual Retainer. Each Independent Director shall be eligible to receive an annual retainer of \$50,000 for service on the Board. In addition, an Independent Director serving as:
- i. chairman of the Board shall be eligible to receive an additional annual retainer of \$35,000 for such service;
  - ii. chairman of the Audit Committee shall be eligible to receive an additional annual retainer of \$20,000 for such service;
  - iii. members (other than the chairman) of the Audit Committee shall be eligible to receive an additional annual retainer of \$10,000 for such service;
  - iv. chairman of the Human Capital Management and Compensation Committee shall be eligible to receive an additional annual retainer of \$15,000 for such service;
  - v. members (other than the chairman) of the Human Capital Management and Compensation Committee shall be eligible to receive an additional annual retainer of \$7,500 for such service;
  - vi. chairman of the Nominating and Corporate Governance Committee shall be eligible to receive an additional annual retainer of \$10,000 for such service; and
  - vii. members (other than the chairman) of the Nominating and Corporate Governance Committee shall be eligible to receive an additional annual retainer of \$5,000 for such service.
- b. Payment of Cash Compensation. Annual retainer fees shall be paid after each annual meeting of the Company’s stockholders in advance for the upcoming year of service and shall be prorated for the period of the year served for Independent Directors who are elected or appointed to the Board at a time other than the date of the annual meeting of the Company’s stockholders; provided, however, that an Independent Director may elect in writing prior to the date of an annual meeting to receive all or a portion of his annual retainer fee in the form of such number of fully vested shares of the Company’s common stock as is equal to (i) the amount of the annual retainer the Independent Director has elected to receive in the form of shares of the Company’s common stock, divided by (ii) the closing price per share of the Company’s common stock on the Nasdaq Global Market (or such other established stock exchange or national quotation system on which the stock is quoted) on the date of the annual meeting. Committee retainer fees shall also be paid annually after each annual meeting of the Company’s stockholders in advance for the upcoming year of service and shall be prorated for any partial quarters served for Independent Directors who serve on a committee for a partial year.

2. Equity Compensation. The Independent Directors shall be granted the following stock awards. The stock awards described below shall be granted under and shall be subject to the terms and provisions of the Company's 2002 Stock Incentive Plan (the "**2002 Plan**") and shall be granted subject to the execution and delivery of award agreements, including attached exhibits, in substantially the same forms previously approved by the Board.
- a. Initial Stock Awards. A person who is initially elected or appointed to the Board on or after the Restatement Effective Date, and who was or is an Independent Director at the time of such initial election or appointment, shall be eligible to receive the following stock awards on the date of such initial election or appointment (each, an "**Initial Stock Award**"):
    - i. that number of restricted stock units determined by dividing (A) \$145,000, by (B) the average closing price per share of the Company's common stock on the Nasdaq Global Market (or such other established stock exchange or national quotation system on which the stock is quoted) for the 60-calendar day period prior to the date of grant; and
    - ii. that number of stock options having a value of \$280,000, calculated on the grant date in accordance with the Black-Scholes option pricing model (utilizing the same assumptions that the Company utilizes in preparation of its financial statements).
  - b. Subsequent Stock Awards. A person who is an Independent Director as of the date of each annual meeting of the Company's stockholders and who is re-elected for another year of service as an Independent Director at such annual meeting automatically shall be eligible to receive the following stock awards on the date of each such annual meeting of the Company's stockholders on or after the Restatement Effective Date (each, a "**Subsequent Stock Award**"):
    - i. that number of restricted stock units determined by dividing (A) \$85,000, by (B) the average closing price per share of the Company's common stock on the Nasdaq Global Market (or such other established stock exchange or national quotation system on which the stock is quoted) for the 60-calendar day period prior to the date of grant; and
    - ii. that number of stock options having a value of \$175,000, calculated on the grant date in accordance with the Black-Scholes option pricing model (utilizing the same assumptions that the Company utilizes in preparation of its financial statements).

An Independent Director elected for the first time to the Board at an annual meeting of stockholders shall only receive an Initial Restricted Stock grant in connection with such election, and shall not receive a Subsequent Restricted Stock grant on the date of such meeting as well. The stock awards described in this clause shall be referred to as "**Subsequent Stock Awards**."

- c. Termination of Employment of Employee Directors. Members of the Board who are employees of the Company or any parent or subsidiary of the Company who subsequently terminate their employment with the Company and any parent or subsidiary of the Company and remain on the Board will not receive any Initial Stock Awards pursuant to clause 2(a) above, but to the extent that they are otherwise eligible, will be eligible to receive, after termination from employment with the Company and any parent or subsidiary of the Company, Subsequent Stock Awards as described in clause 2(b) above.
- d. Vesting of Stock Awards Granted to Independent Directors
  - i. Initial Stock Awards granted hereunder shall vest in three (3) equal annual installments on each of the first three (3) anniversaries following the date of grant, subject to the Independent Director's continuing service on the Board through each such vesting date.
  - ii. Subsequent Stock Awards granted hereunder shall vest in full on the earlier of (A) the date of the annual meeting of the Company's stockholders next following the grant date (it being understood that the Subsequent Stock Awards shall vest on the date of such annual meeting whether or not the Independent Director is re-elected at such meeting, so long as the Independent Director serves through such meeting) and (B) on the first anniversary of the date of grant, subject to the Independent Director's continuing service on the Board through each such vesting date.



- iii. Any stock awards granted hereunder shall vest in full in the event of a Change in Control or a Hostile Take-Over (each as defined in the 2002 Plan) to the extent the Independent Director is serving on the Board at the time of such transaction or in the event an Independent Director ceases to serve on the Board by reason of death or Permanent Disability as defined in the 2002 Plan.
- iv. Any unvested stock awards will be forfeited to the Company in the event an Independent Director ceases to serve on the Board prior to the vesting of such awards.
- e. Effect of Termination of Board Service on Stock Options. An Independent Director shall be able to exercise his or her stock options that were vested at the time of his or her cessation of Board service until the first to occur of (i) the third anniversary of the date of his or her cessation of Board service, or (ii) the original expiration date of the term of such stock options.
- f. Term of Stock Options. Each stock option granted hereunder shall have a term of ten (10) years measured from the date of grant.
- g. Exercise Price of Stock Options. The exercise price per share of any stock options granted hereunder shall be equal to one hundred percent (100%) of the Fair Market Value (as defined in the 2002 Plan) of the common stock on the date of grant.

## II. DIRECTOR STOCK OWNERSHIP GUIDELINES

Independent Directors are expected to own and hold shares of the Company's common stock with a value equal to three times the annual cash retainer for service as an Independent Director (without regard to any retainers paid for committee service or service as chairman of the Board). The stock ownership level should be achieved by each Independent Director on or before April 30, 2014 or, if later, within three years after the Independent Director's first appointment to the Board.

Stock that counts toward satisfaction of these guidelines include: shares of common stock owned outright by the Independent Director and his or her immediate family members who share the same household, whether held individually or jointly; restricted stock where the restrictions have lapsed; shares acquired upon stock option exercise; shares purchased in the open market; and shares held in trust for the benefit of the Independent Director or his or her family. Restricted stock units, which represent the right to receive shares, do not count towards satisfaction of these guidelines. Shares held in trust may be included. Due to the complexities of trust accounts, requests to include shares held in trust should be submitted to the Secretary of the Company and the Chairman of the Board will make the final decision as to whether to include those shares.

An Independent Director will be deemed to be in compliance with these guidelines if the Fair Market Value (as defined in the 2002 Plan) of the shares of the Company's common stock held by such Independent Director on any date prior to the deadline for his or her compliance equals or exceeds the required multiple of his or her annual cash retainer. After meeting the requirements set forth in these guidelines, any subsequent decreases in the market value of the Company's common stock shall not be considered, so long as the Independent Director continues to hold at least the same number of shares of the Company's common stock as he or she did when the guidelines were first met or exceeded by such Independent Director.

The guidelines may be waived for Independent Directors, at the discretion of the Board, if compliance would create hardship or prevent an Independent Director from complying with a court order, as in the case of a divorce settlement.

### CHANGE IN CONTROL SEVERANCE AGREEMENT

This Change in Control Severance Agreement (“*Agreement*”) is made effective as of \_\_\_\_\_, by and between Ligand Pharmaceuticals Incorporated, a Delaware corporation (the “*Company*”), and \_\_\_\_\_ (“*Employee*”).

The parties agree as follows:

1. Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

(a) “*Cause*” shall mean any of the following: (i) Employee’s conviction of, or plea of “guilty” or “no contest” to, a felony under the laws of the United States or any state thereof; (ii) Employee’s willful and material breach of any obligation or duty under this Agreement, the PIA (as defined below) or the Company’s written employment or other written policies that have previously been furnished to Employee, which breach is not cured within thirty (30) days after written notice thereof is received by Employee, if such breach is capable of cure; (iii) Employee’s gross negligence or willful misconduct, including without limitation, fraud, dishonesty or embezzlement, in the performance of his or her duties; or (iv) Employee’s continuing failure or refusal to perform his or her assigned duties or to comply with reasonable directives of the Board of Directors that are consistent with Employee’s job duties (which directives are not in conflict with applicable law), which failure is not cured within thirty (30) days after written notice thereof is received by Employee.

(b) “*Change in Control*” shall mean a change in ownership or control of the Company effected through any of the following transactions:

(i) a merger, consolidation or other reorganization approved by the Company’s stockholders, unless securities representing more than fifty percent (50%) of the total combined voting power of the voting securities of the successor corporation are immediately thereafter beneficially owned, directly or indirectly and in substantially the same proportion, by the persons who beneficially owned the Company’s outstanding voting securities immediately prior to such transaction; or

(ii) the sale, license, transfer or other disposition (including establishing a royalty trust) of an asset or assets in one transaction or a series of related transactions which the Board of Directors determines, in its sole discretion, represent more than fifty percent (50%) of the aggregate value of the Company’s assets; or

(iii) the acquisition, directly or indirectly by any person or related group of persons (other than the Company or a person that directly or indirectly controls, is controlled by, or is under common control with, the Company), of beneficial ownership (within the meaning of Rule 13d-3 of the 1934 Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company’s outstanding securities pursuant to a tender or exchange offer made directly to the Company’s stockholders.

Notwithstanding the foregoing, no transaction, event or occurrence shall constitute a Change in Control for purposes of this Agreement, unless such transaction, event or occurrence also constitutes a “change in control event” as defined in Treasury Regulation Section 1.409A-3(i)(5).

(c) “*Good Reason*” shall mean the occurrence of any of the following events or conditions without Employee’s written consent:

(i) a material diminution in Employee’s authority, duties or responsibilities;

(ii) a material diminution in Employee’s base compensation;

(iii) a material change in the geographic location at which Employee must perform his or her duties; or

(iv) any other action or inaction that constitutes a material breach by the Company or any successor or affiliate of its obligations to Employee under this Agreement.

Employee must provide written notice to the Company of the occurrence of any of the foregoing events or conditions without Employee's written consent within ninety (90) days of the occurrence of such event. The Company or any successor or affiliate shall have a period of thirty (30) days to cure such event or condition after receipt of written notice of such event from Employee. Any voluntary termination of Employee's employment for "Good Reason" following such thirty (30) day cure period must occur no later than the date that is six (6) months following the initial occurrence of one of the foregoing events or conditions without Employee's written consent.

(d) "**Permanent Disability**" means Employee's inability to perform the essential functions of his or her position, with or without reasonable accommodation, for a period of at least one hundred twenty (120) consecutive days because of a physical or mental impairment.

(e) "**Stock Awards**" means all stock options, restricted stock and such other awards granted pursuant to the Company's stock option and equity award plans or agreements and any shares of stock issued upon exercise thereof.

## 2. Severance.

(a) If Employee's employment is terminated by the Company without Cause or by Employee for Good Reason within twenty-four (24) months following a Change in Control, then subject to the requirements of this Section 2 and Employee's continued compliance with Section 3, Employee shall be entitled to receive, in lieu of any severance benefits to which Employee may otherwise be entitled, including under any Other Arrangement (as defined below), the benefits provided below:

(i) The Company shall pay to Employee (A) his or her fully earned but unpaid base salary, when due, through the date of termination at the rate then in effect, (B) his or her accrued but unpaid vacation or paid time off through the date of termination, when due, plus (C) all other amounts or benefits to which Employee is entitled under any compensation, retirement or benefit plan or practice of the Company at the time of termination in accordance with the terms of such plans or practices, including, without limitation, any continuation of benefits required by the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**") or applicable law (the "**Accrued Obligations**");

(ii) Employee shall be entitled to receive severance pay in an amount equal to the sum of:

(A) Employee's monthly base salary as in effect immediately prior to the date of termination for the twelve (12) month period following the date of termination, plus

(B) An amount equal to the greater of (1) Employee's maximum target bonus for the fiscal year during which the date of termination occurs or (2) Employee's maximum target bonus for the fiscal year during which the Change in Control occurs,

payable, in the case of both clauses (A) and (B), in a lump sum within ten (10) days following the effective date of Employee's Release, but in no event later than two and one-half (2 ½) months following the last day of the calendar year in which the date of Employee's termination of employment occurs;

(iii) Employee shall be entitled to receive a lump sum cash payment equal to (A) twelve (12) multiplied by (B) the monthly premium Employee would be required to pay for continuation coverage pursuant to COBRA for Employee and his or her eligible dependents who were covered under the Company's health plans as of the date of Employee's termination such that Employee's premiums are the same as for active employees (calculated by reference to the premium as of the date of termination) (*provided* that Employee shall be solely responsible for all matters relating to his or her continuation of coverage pursuant to COBRA, including, without limitation, his or her election of such coverage and his or her timely payment of premiums), which payment shall be paid within ten (10) days following the effective date of Employee's Release, but in no event later than two and one-half (2 ½) months following the last day of the calendar year in which the date of Employee's termination of employment occurs; and

(iv) The vesting and/or exercisability of any outstanding unvested portions of Employee's Stock Awards the vesting of which is solely time-based and not subject to the satisfaction of a performance condition shall be automatically accelerated on the effective date of Employee's Release. In

addition, Employee's Stock Awards may be exercised by Employee (or Employee's guardian or legal representative) until (A) the date that is nine (9) months following the date of termination, or (B) such longer period as may be specified in the applicable stock award agreement; provided, however, that in no event shall any Stock Award remain exercisable beyond the original outside expiration date of such Stock Award; *provided, however*, that, any Stock Awards that vest in whole or in part based on the attainment of performance-vesting conditions shall be governed by the terms of the applicable Stock Award agreement. Employee's vested Stock Awards shall be governed by the terms and conditions of the Stock Award agreements and the Company's equity plan under which such Stock Awards were granted. Notwithstanding the foregoing, in the event the Stock Award agreement or the equity plan pursuant to which the Stock Awards were granted provides for more favorable treatment of Employee's Stock Awards, nothing in this Agreement is intended to limit Employee's right to such more favorable treatment as provided in such Stock Award agreement or equity plan.

(b) Other Terminations. If Employee's employment is terminated by the Company without Cause or by Employee for Good Reason prior to a Change in Control or more than twenty-four (24) months following a Change in Control, or at any time by the Company for Cause, by Employee without Good Reason, or as a result of Employee's death or Permanent Disability, the Company shall not have any other or further obligations to Employee under this Agreement (including any financial obligations) except that Employee shall be entitled to receive the Accrued Obligations and any rights Employee may have to severance under the Company's standard severance policy. The foregoing shall be in addition to, and not in lieu of, any and all other rights and remedies which may be available to the Company under the circumstances, whether at law or in equity.

(c) Release. As a condition to Employee's receipt of any post-termination benefits pursuant to Section 2(a) above, Employee shall execute and not revoke a general release of all claims in favor of the Company and its affiliates (the "**Release**") in the form attached hereto as Exhibit A. Employee's Release shall be deemed effective on the day following the expiration of any applicable revocation period. In the event the Release does not become effective within the fifty-five (55) day period following the date of Employee's termination of employment, Employee shall not be entitled to the aforesaid payments and benefits.

(d) Exclusive Remedy. Except as otherwise expressly required by law (e.g., COBRA) or as specifically provided herein, all of Employee's rights to salary, severance, benefits, bonuses and other amounts hereunder (if any) accruing after the termination of Employee's employment shall cease upon such termination. In addition, the severance payments provided for in Section 2(a) above are intended to be the exclusive severance benefits payable to Employee, in the event of a termination without Cause or resignation for Good Reason within 24 months following a Change in Control, and such severance payments shall be paid in lieu of any severance payments Employee may otherwise be entitled to receive under any other plan, program, policy or agreement with the Company or any of its affiliates (including, without limitation, the Company's Amended and Restated Severance Plan) (collectively, "**Other Arrangements**"). Therefore, in the event Employee becomes entitled to receive the severance payments and benefits provided under Section 2(a) of this Agreement, he or she shall receive the amounts provided under that section of this Agreement and shall not be entitled to receive any severance payments or severance benefits pursuant to any Other Arrangements. In the event of a termination of Employee's employment with the Company, Employee's sole remedy shall be to receive the payments and benefits described in this Section 2.

(e) No Mitigation. Employee shall not be required to mitigate the amount of any payment provided for in this Section 2 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Section 2 be reduced by any compensation earned by Employee as the result of employment by another employer or self-employment or by retirement benefits; *provided, however*, that loans, advances or other amounts owed by Employee to the Company may be offset by the Company against amounts payable to Employee under this Section 2.

(f) Return of the Company's Property. If Employee's employment is terminated for any reason, the Company shall have the right, at its option, to require Employee to vacate his or her offices prior to or on the effective date of termination and to cease all activities on the Company's behalf. Upon the termination of his or her employment in any manner, as a condition to Employee's receipt of any post-termination benefits described in this Agreement, Employee shall immediately surrender to the Company all lists, books and records of, or in connection with, the Company's business, and all other property belonging to the Company, it being distinctly understood that all such lists, books and records,

and other documents, are the property of the Company. Employee shall deliver to the Company a signed statement certifying compliance with this Section 2(f) prior to the receipt of any post-termination benefits described in this Agreement.

(g) Best Pay Provision.

(i) In the event that any payment or benefit received or to be received by Employee pursuant to the terms of any plan, arrangement or agreement (including any payment or benefit received in connection with a change in ownership or control or the termination of the Employee's employment) (all such payments and benefits being hereinafter referred to as the "**Total Payments**") would be subject (in whole or part) to the excise tax (the "**Excise Tax**") imposed under Section 4999 of the Internal Revenue Code of 1986, as amended (the "**Code**"), then the Total Payments shall be reduced to the extent necessary so that no portion of the Total Payments is subject to the Excise Tax but only if (A) the net amount of such Total Payments, as so reduced (after subtracting the amount of federal, state and local income taxes on such reduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such reduced Total Payments) is greater than or equal to (B) the net amount of such Total Payments without such reduction (after subtracting the net amount of federal, state and local income taxes on such Total Payments and the amount of Excise Tax to which Employee would be subject in respect of such unreduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such unreduced Total Payments). Except to the extent that an alternative reduction order would result in a greater economic benefit to Employee on an after-tax basis, the parties intend that the Total Payments shall be reduced in the following order: (w) reduction of any cash severance payments otherwise payable to Employee that are exempt from Section 409A of the Code, (x) reduction of any other cash payments or benefits otherwise payable to Employee that are exempt from Section 409A of the Code, but excluding any payment attributable to the acceleration of vesting or payment with respect to any equity award that is exempt from Section 409A of the Code, (y) reduction of any other payments or benefits otherwise payable to Employee on a pro-rata basis or such other manner that complies with Section 409A of the Code, but excluding any payment attributable to the acceleration of vesting and payment with respect to any equity award that is exempt from Section 409A of the Code, and (z) reduction of any payments attributable to the acceleration of vesting or payment with respect to any equity award that is exempt from Section 409A of the Code; provided, in case of clauses (x), (y) and (z), that reduction of any payments or benefits attributable to the acceleration of vesting of Company equity awards shall be first applied to equity awards with later vesting dates; provided, further, that, notwithstanding the foregoing, any such reduction shall be undertaken in a manner that complies with and does not result in the imposition of additional taxes on Employee under Section 409A of the Code. The foregoing reductions shall be made in a manner that results in the maximum economic benefit to Employee on an after-tax basis and, to the extent economically equivalent payments or benefits are subject to reduction, in a pro rata manner.

(ii) All determinations regarding the application of this Section 2(g) shall be made by an independent accounting firm or consulting group with nationally recognized standing and substantial expertise and experience in performing calculations regarding the applicability of Section 280G of the Code and the Excise Tax retained by the Company prior to the date of the applicable change in ownership or control (the "**280G Firm**"). For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax, (A) no portion of the Total Payments shall be taken into account which (x) does not constitute a "parachute payment" within the meaning of Section 280G(b)(2) of the Code (including by reason of Section 280G(b)(4)(A) of the Code) and, in calculating the Excise Tax, or (y) constitutes reasonable compensation for services actually rendered, within the meaning of Section 280G(b)(4)(B) of the Code, in excess of the "base amount" (as defined in Section 280G(b)(3) of the Code) allocable to such reasonable compensation, (B) no portion of the Total Payments the receipt or enjoyment of which Employee shall have waived at such time and in such manner as not to constitute a "payment" within the meaning of Section 280G(b) of the Code shall be taken into account, and (C) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the 280G Firm in accordance with the principles of Sections 280G(d)(3) and (4) of the Code. All determinations related to the calculations to be performed pursuant to this "Best Pay Provision" section shall be done by the 280G Firm. The 280G Firm will be directed to submit its determination and detailed supporting calculations to both Employee and the Company within fifteen (15) days after notification from either the Company or Employee that Employee may receive payments which may be "parachute payments." Employee and the Company will each provide the 280G Firm access to and copies of any books, records, and documents as may be reasonably requested by the 280G Firm, and otherwise cooperate with the 280G Firm in connection with the preparation and issuance of the

determinations and calculations contemplated by this Agreement. The fees and expenses of the 280G Firm for its services in connection with the determinations and calculations contemplated by this Agreement will be borne solely by the Company.

(h) Withholding. All compensation and benefits to Employee hereunder shall be reduced by all federal, state, local and other withholdings and similar taxes and payments required by applicable law.

(i) Deemed Resignation. Upon termination of Employee's employment for any reason, Employee shall be deemed to have resigned from all offices and directorships, if any, then held with the Company or any of its subsidiaries, including his or her position as a member of the Board, if applicable, and shall take all actions reasonably requested by the Company to effectuate the foregoing. Employee's resignation from all such positions shall be a condition to receive of the severance payments to Employee under Section 2(a).

### 3. Restrictive Covenants.

(a) PIIA. Employee and the Company have executed the Company's proprietary information and inventions agreement, a copy of which is attached to this Agreement as Exhibit B and incorporated herein by reference (the "PIIA"). The Company shall be entitled to cease all severance payments to Employee in the event of his or her breach of this Section 3.

(b) Protected Activities. Notwithstanding anything herein to the contrary, nothing in this Agreement or the PIIA shall (i) prohibit Employee from filing a charge with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other comparable federal agency, state agency or securities regulatory body (the "Government Agencies"); (ii) prohibit Employee from reporting possible violations of law to an appropriate Government Agency in a confidential manner without notice to the Company as authorized in any whistleblower protection provisions of any federal or state law or regulation; (iii) communicating directly with any governmental, law enforcement, regulatory or self-regulatory body; (iv) limit Employee's lawful opportunity to cooperate with or participate in any administrative proceeding or investigation that may be conducted by a Government Agency; (v) receive awards from a Government Agency as a result of reporting or cooperation; or (vi) prohibit Employee from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that Employee has reason to believe is unlawful. With respect to any information disclosed pursuant to this protected activity exception that may constitute confidential or proprietary information, Employee agrees to take all reasonable precautions to prevent any unauthorized use or disclosure to any parties other than the relevant agency or authority. Except as prohibited by applicable law, rule, or regulation, the payments paid to pursuant to this Agreement will be the sole monetary relief available to Employee, and Employee will not be entitled to recover, and agrees to waive, any additional personal monetary relief that may be sought from or awarded against the Company in the future without regard to who filed or brought such claim. However, this Agreement does not waive Employee's right to receive an award for original information from any Government Agency, including but not limited to any such award pursuant to Section 21F of the Securities Exchange Act of 1934. Further, Employee's participation in an investigation or other legal matter may include a disclosure of trade secret information provided that it must comply with the restrictions in the Defend Trade Secrets Act of 2016 ("DTSA"). The DTSA provides that no individual will be held criminally or civilly liable under Federal or State trade secret law for the disclosure of a trade secret that: (x) is made in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and made solely for the purpose of reporting or investigating a suspected violation of law; or (y) is made in a complaint or other document if such filing is under seal so that it is not made public. Also, an individual who pursues a lawsuit for retaliation by an employer for reporting a suspected violation of the law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal, and does not disclose the trade secret, except as permitted by court order.

4. Dispute Resolution. Any controversy, claim or dispute arising out of or relating to this Agreement, shall be settled solely and exclusively by binding arbitration in accordance with the arbitration provisions contained in the Mutual Agreement to Arbitrate between Employee and the Company (the "Arbitration Agreement"), a copy of which is attached to this Agreement as Exhibit C and incorporated herein by reference. This Section 4 is intended to be the exclusive method for resolving any

and all claims by the parties against each other for payment of damages under this Agreement or relating to Employee's employment; *provided, however,* that neither this Agreement nor the submission to mediation or arbitration shall limit the parties' right to seek provisional relief, including without limitation injunctive relief, in any court of competent jurisdiction pursuant to California Code of Civil Procedure § 1281.8 or any similar statute of an applicable jurisdiction. Seeking any such relief shall not be deemed to be a waiver of such party's right to compel arbitration. Both Employee and the Company expressly waive their right to a jury trial. The parties agree that any claim asserted in arbitration may be made only on an individual basis, and the parties may not assert claims on a representative, class or other collective basis. Finally, Employee agrees that Employee has been provided an opportunity to seek the advice of an attorney of Employee's choice before signing this Agreement.

5. At-Will Employment Relationship. Employee's employment with the Company is at-will and not for any specified period and may be terminated at any time, with or without Cause or advance notice, by either Employee or the Company. Any change to the at-will employment relationship must be by specific, written agreement signed by Employee and an authorized representative of the Company. Nothing in this Agreement is intended to or should be construed to contradict, modify or alter this at-will relationship.

6. General Provisions.

(a) Successors and Assigns. The rights of the Company under this Agreement may, without the consent of Employee, be assigned by the Company, in its sole and unfettered discretion, to any person, firm, corporation or other business entity which at any time, whether by purchase, merger or otherwise, directly or indirectly, acquires all or substantially all of the assets or business of the Company. The Company will require any successor (whether direct or indirect, by purchase, merger or otherwise) to all or substantially all of the business or assets of the Company expressly to assume and to agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place; *provided, however,* that no such assumption shall relieve the Company of its obligations hereunder. As used in this Agreement, the "**Company**" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law or otherwise. Employee shall not be entitled to assign any of Employee's rights or obligations under this Agreement. This Agreement shall inure to the benefit of and be enforceable by Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

(b) Severability. In the event any provision of this Agreement is found to be unenforceable by an arbitrator or court of competent jurisdiction, such provision shall be deemed modified to the extent necessary to allow enforceability of the provision as so limited, it being intended that the parties shall receive the benefit contemplated herein to the fullest extent permitted by law. If a deemed modification is not satisfactory in the judgment of such arbitrator or court, the unenforceable provision shall be deemed deleted, and the validity and enforceability of the remaining provisions shall not be affected thereby.

(c) Interpretation; Construction. The headings set forth in this Agreement are for convenience only and shall not be used in interpreting this Agreement. This Agreement has been drafted by legal counsel representing the Company, but Employee has participated in the negotiation of its terms. Furthermore, Employee acknowledges that Employee has had an opportunity to review and revise the Agreement and have it reviewed by legal counsel, if desired, and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement. Either party's failure to enforce any provision of this Agreement shall not in any way be construed as a waiver of any such provision, or prevent that party thereafter from enforcing each and every other provision of this Agreement.

(d) Governing Law and Venue. This Agreement will be governed by and construed in accordance with the laws of the United States and the State of California applicable to contracts made and to be performed wholly within such State, and without regard to the conflicts of laws principles thereof. Any suit brought hereon shall be brought in the state or federal courts sitting in San Diego County, California, the Parties hereby waiving any claim or defense that such forum is not convenient or proper. Each party hereby agrees that any such court shall have in personam jurisdiction over it and consents to service of process in any manner authorized by California law.

(e) Notices. Any notice required or permitted by this Agreement shall be in writing and shall be delivered as follows with notice deemed given as indicated: (i) by personal delivery when delivered personally; (ii) by overnight courier upon written verification of receipt; (iii) by telecopy or facsimile transmission upon acknowledgment of receipt of electronic transmission; or (iv) by certified or registered mail, return receipt requested, upon verification of receipt. Notice shall be sent to Employee at his or her most recent residence and personal email address on file with the Company and to the Company at its principal place of business, or such other address as either party may specify in writing.

(f) Survival. Sections 1 (“Definitions”), 2 (“Severance”), 3 (“Restrictive Covenants”), 4 (“Dispute Resolution”) and 6 (“General Provisions”) of this Agreement shall survive termination of Employee’s employment by the Company.

(g) Entire Agreement. This Agreement, the Arbitration Agreement and the PIIA incorporated herein by reference together constitute the entire agreement between the parties in respect of the subject matter contained herein and therein and supersede all prior or simultaneous representations, discussions, negotiations, and agreements, whether written or oral; *provided, however*, that for the avoidance of doubt, all Other Arrangements (as such Other Arrangements may be amended, modified or terminated from time to time) shall remain in effect in accordance with their terms, subject to Section 2(d) hereof. This Agreement may be amended or modified only with the written consent of Employee and an authorized representative of the Company. No oral waiver, amendment or modification will be effective under any circumstances whatsoever.

(h) Code Section 409A Exempt.

(i) To the extent applicable, this Agreement shall be interpreted in accordance with Section 409A of the Code and the regulations and guidance promulgated thereunder (collectively, “**Section 409A**”). The intent of the parties is that payments and benefits under this Agreement comply with, or be exempt from Code Section 409A and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance with such intention. To the extent that any provision in this Agreement is ambiguous as to its compliance with or exemption from Code Section 409A, the provision shall be read in such a manner that no payments payable under this Agreement shall be subject to an “additional tax” as defined in Section 409A(a)(1)(B) of the Code. If the Company and Employee determine that any compensation or benefits payable under this Agreement may be or become subject to Code Section 409A and related Department of Treasury guidance, the Company and Employee agree to amend this Agreement or adopt other policies or procedures (including amendments, policies and procedures with retroactive effect), or take such other actions as the Company and Employee deem necessary or appropriate to (A) exempt the compensation and benefits payable under this Agreement from Code Section 409A and/or preserve the intended tax treatment of the compensation and benefits provided with respect to this Agreement, or (B) comply with the requirements of Code Section 409A and related Department of Treasury guidance.

(ii) For purposes of Section 409A of the Code, any right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments. For purposes of this Agreement, to the extent necessary to ensure that the payments hereunder comply with or are exempt from Code Section 409A, all references to Employee’s “termination of employment” shall mean his or her “separation from service” (as defined in Treasury Regulation Section 1.409A-1(h)).

(iii) Notwithstanding anything in this Agreement to the contrary, if Employee is deemed by the Company at the time of Employee’s separation from service to be a “specified employee” for purposes of Section 409A, to the extent delayed commencement of any portion of the benefits to which Employee is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A, such portion of Employee’s benefits shall not be provided to Employee prior to the earlier of (A) the expiration of the six-month period measured from the date of Employee’s separation from service with the Company or (B) the date of Employee’s death. Upon the first business day following the expiration of the applicable Section 409A period, all payments deferred pursuant to the preceding sentence shall be paid in a lump sum to Employee (or Employee’s estate or beneficiaries), and any remaining payments due to Employee under this Agreement shall be paid as otherwise provided herein.



(iv) In the event that the amounts payable under this Agreement constitute “non-qualified deferred compensation” subject to Code Section 409A, and the timing of the delivery of Employee’s Release could cause the severance benefits described in Section 2(a) to be paid in one or another calendar year, then notwithstanding the payment timing set forth in such section, such amounts shall not be payable until the later of (A) January 1 of the second calendar year, or (B) the payment date set forth in Section 2(a).

(v) To the extent required by Code Section 409A, any reimbursement or in-kind benefit provided under this Agreement shall be provided in accordance with the following: (A) the amount of expenses eligible for reimbursement, or in-kind benefits provided during each calendar year cannot affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year; (B) any payments in lieu of the benefits shall be paid no later than the end of Employee’s taxable year next following Employee’s taxable year in which the benefit or expense was due to be paid; and (C) any right to reimbursements or in-kind benefits under this Agreement shall not be subject to liquidation or exchange for another benefit.

(i) Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

(Signature Page Follows)

THE PARTIES TO THIS AGREEMENT HAVE READ THE FOREGOING AGREEMENT AND FULLY UNDERSTAND EACH AND EVERY PROVISION CONTAINED HEREIN. WHEREFORE, THE PARTIES HAVE EXECUTED THIS AGREEMENT ON THE DATES SHOWN BELOW.

**Ligand Pharmaceuticals Incorporated**

Dated: \_\_\_\_\_ By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**Employee**

Dated: \_\_\_\_\_  
[ \_\_\_\_\_ ]  
Address: \_\_\_\_\_  
\_\_\_\_\_

EXHIBIT A

GENERAL RELEASE OF CLAIMS

[The language in this Release may change based on legal developments and evolving best practices; this form is provided as an example of what will be included in the final Release document.]

This General Release of Claims (“**Release**”) is entered into as of this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, between \_\_\_\_\_ (“**Employee**”) and Ligand Pharmaceuticals Incorporated, a Delaware corporation (the “**Company**”) (collectively referred to herein as the “**Parties**”).

WHEREAS, Employee and the Company are parties to that certain Change in Control Severance Agreement dated as of November 1, 2022 (the “**Agreement**”);

WHEREAS, the Parties agree that Employee is entitled to certain severance benefits under the Agreement, subject to Employee’s execution of this Release; and

WHEREAS, the Company and Employee now wish to fully and finally to resolve all matters between them.

NOW, THEREFORE, in consideration of, and subject to, the severance benefits payable to Employee pursuant to the Agreement, the adequacy of which is hereby acknowledged by Employee, and which Employee acknowledges that he or she would not otherwise be entitled to receive, Employee and the Company hereby agree as follows:

1. General Release of Claims by Employee.

(a) Employee, on behalf of himself or herself and his or her executors, heirs, administrators, representatives and assigns, hereby agrees to release and forever discharge the Company and all predecessors, successors and their respective parent corporations, affiliates, related, and/or subsidiary entities, and all of their past and present investors, directors, shareholders, officers, general or limited partners, employees, attorneys, agents and representatives, and the employee benefit plans in which Employee is or has been a participant by virtue of his or her employment with or service to the Company (collectively, the “**Company Releasees**”), from any and all claims, debts, demands, accounts, judgments, rights, causes of action, equitable relief, damages, costs, charges, complaints, obligations, promises, agreements, controversies, suits, expenses, compensation, responsibility and liability of every kind and character whatsoever (including attorneys’ fees and costs), whether in law or equity, known or unknown, asserted or unasserted, suspected or unsuspected (collectively, “**Claims**”), which Employee has or may have had against such entities based on any events or circumstances arising or occurring on or prior to the date hereof or on or prior to the date hereof, arising directly or indirectly out of, relating to, or in any other way involving in any manner whatsoever Employee’s employment by or service to the Company or the termination thereof, including any and all claims arising under federal, state, or local laws relating to employment, including without limitation claims of wrongful discharge, breach of express or implied contract, fraud, misrepresentation, defamation, or liability in tort, and claims of any kind that may be brought in any court or administrative agency including, without limitation, claims under Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. Section 2000, et seq.; the Americans with Disabilities Act, as amended, 42 U.S.C. § 12101 et seq.; the Rehabilitation Act of 1973, as amended, 29 U.S.C. § 701 et seq.; the Civil Rights Act of 1866, and the Civil Rights Act of 1991; 42 U.S.C. Section 1981, et seq.; the Age Discrimination in Employment Act, as amended, 29 U.S.C. Section 621, et seq. (the “**ADEA**”); the Equal Pay Act, as amended, 29 U.S.C. Section 206(d); regulations of the Office of Federal Contract Compliance, 41 C.F.R. Section 60, et seq.; the Family and Medical Leave Act, as amended, 29 U.S.C. § 2601 et seq.; the Fair Labor Standards Act of 1938, as amended, 29 U.S.C. § 201 et seq.; the Employee Retirement Income Security Act, as amended, 29 U.S.C. § 1001 et seq.; and the California Fair Employment and Housing Act, California Government Code Section 12940, et seq.

Notwithstanding the generality of the foregoing, Employee does not release the following claims:

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- (i) Claims for unemployment compensation or any state disability insurance benefits pursuant to the terms of applicable state law;
- (ii) Claims for workers' compensation insurance benefits under the terms of any worker's compensation insurance policy or fund of the Company;
- (iii) Claims pursuant to the terms and conditions of the federal law known as COBRA;
- (iv) Claims for indemnity under the bylaws of the Company, as provided for by Delaware law or under any applicable insurance policy with respect to Employee's liability as an employee, director or officer of the Company;
- (v) Employee's right to bring to the attention of the Equal Employment Opportunity Commission or the California Department of Fair Employment and Housing or any other federal, state or local government agency claims of discrimination, or from participating in an investigation or proceeding conducted by the Equal Employment Opportunity Commission or any other federal, state or local government agency; provided, however, that Employee does release his or her right to secure any damages for alleged discriminatory treatment;
- (vi) Claims based on any right Employee may have to enforce the Company's executory obligations under the Agreement;
- (vii) Claims Employee may have to vested or earned compensation and benefits; and
- (viii) Employee's right to communicate or cooperate with any governmental agency.

(b) EMPLOYEE ACKNOWLEDGES THAT HE OR SHE HAS BEEN ADVISED OF AND IS FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES AS FOLLOWS:

**“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”**

BEING AWARE OF SAID CODE SECTION, EMPLOYEE HEREBY EXPRESSLY WAIVES ANY RIGHTS HE OR SHE MAY HAVE THEREUNDER, AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT.

(c) Employee acknowledges that this Release was presented to him or her on the date indicated above and that Employee is entitled to have twenty-one (21) days' time in which to consider it. Employee further acknowledges that the Company has advised him or her that he or she is waiving his or her rights under the ADEA, and that Employee may obtain advice concerning this Release from an attorney of his or her choice, and Employee has had sufficient time to consider the terms of this Release. Employee represents and acknowledges that if Employee executes this Release before twenty-one (21) days have elapsed, Employee does so knowingly, voluntarily, and upon the advice and with the approval of Employee's legal counsel (if any), and that Employee voluntarily waives any remaining consideration period.

(d) Employee understands that after executing this Release, Employee has the right to revoke it within seven (7) days after his or her execution of it. Employee understands that this Release will not become effective and enforceable unless the seven (7) day revocation period passes and Employee does not revoke the Release in writing. Employee understands that this Release may not be revoked after the seven (7) day revocation period has passed. Employee also understands that any

revocation of this Release must be made in writing and delivered to the Company at its principal place of business within the seven (7) day period.

(e) Employee understands that this Release shall become effective, irrevocable, and binding upon Employee on the eighth (8<sup>th</sup>) day after my execution of it, so long as Employee has not revoked it within the time period and in the manner specified in clause (d) above. Employee further understands that Employee will not be given any severance benefits under the Agreement until the effective date of this Release.

2. Continuing Obligations.

(a) Employee hereby expressly reaffirms his or her obligations under Section 3 of the Agreement and the PIIA, and agrees that such obligations shall survive the date of Employee's termination of employment.

(b) By signing below, Employee confirms that Employee has surrendered to the Company all lists, books and records of, or in connection with, the Company's business, and all other property belonging to the Company, it being distinctly understood that all such lists, books and records, and other documents, are the property of the Company.

3. No Assignment. Employee represents and warrants to the Company Releasees that there has been no assignment or other transfer of any interest in any Claim that Employee may have against the Company Releasees, or any of them. Employee agrees to indemnify and hold harmless the Company Releasees from any liability, claims, demands, damages, costs, expenses and attorneys' fees incurred as a result of any such assignment or transfer from Employee.

4. Severability. In the event any provision of this Release is found to be unenforceable by an arbitrator or court of competent jurisdiction, such provision shall be deemed modified to the extent necessary to allow enforceability of the provision as so limited, it being intended that the parties shall receive the benefit contemplated herein to the fullest extent permitted by law. If a deemed modification is not satisfactory in the judgment of such arbitrator or court, the unenforceable provision shall be deemed deleted, and the validity and enforceability of the remaining provisions shall not be affected thereby.

5. Interpretation; Construction. The headings set forth in this Release are for convenience only and shall not be used in interpreting this Agreement. This Release has been drafted by legal counsel representing the Company, but Employee has participated in the negotiation of its terms. Furthermore, Employee acknowledges that Employee has had an opportunity to review and revise the Release and have it reviewed by legal counsel, if desired, and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Release. Either party's failure to enforce any provision of this Release shall not in any way be construed as a waiver of any such provision, or prevent that party thereafter from enforcing each and every other provision of this Release.

6. Governing Law and Venue. This Release will be governed by and construed in accordance with the laws of the United States of America and the State of California applicable to contracts made and to be performed wholly within such State, and without regard to the conflicts of laws principles thereof. Any suit brought hereon shall be brought in the state or federal courts sitting in San Diego County, California, the Parties hereby waiving any claim or defense that such forum is not convenient or proper. Each party hereby agrees that any such court shall have in personam jurisdiction over it and consents to service of process in any manner authorized by California law.

7. Entire Agreement. This Release and the Agreement constitute the entire agreement of the Parties in respect of the subject matter contained herein and therein and supersede all prior or simultaneous representations, discussions, negotiations and agreements, whether written or oral, including without limitation, any offer letter between Employee and the Company. This Release may be amended or modified only with the written consent of Employee and an authorized representative of the Company. No oral waiver, amendment or modification will be effective under any circumstances whatsoever. For

the avoidance of doubt, this Release constitutes a part of the Agreement and shall be subject to the terms thereto, including Section 4.

8. Counterparts. This Release may be executed in multiple counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

(Signature Page Follows)

IN WITNESS WHEREOF, and intending to be legally bound, the Parties have executed the foregoing Release as of the date first written above.

**Employee**                      **Ligand Pharmaceuticals Incorporated**

\_\_\_\_\_ By: \_\_\_\_\_

Print Name: \_\_\_\_\_ Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Exhibits and schedules omitted in accordance with Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule and/or annex will be furnished as a supplement to the U.S. Securities and Exchange Commission upon request.

EXHIBIT B - PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT

EXHIBIT C – MUTUAL ARBITRATION AGREEMENT



**SCHEDULE TO EXHIBIT 10.3**

The preceding form of Change in Control Severance Agreement was entered into between the Company and the following persons effective as of November 1, 2022:

<b>Name of Executive</b>	<b>Title</b>
Matthew Korenberg	President and Chief Operating Officer
Tavo Espinoza	Chief Financial Officer
Andrew Reardon	Chief Legal Officer
Audrey Warfield-Graham	Chief People Officer

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

I, Todd C. Davis, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ligand Pharmaceuticals Incorporated;
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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2023

/s/ Todd C. Davis

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**Todd C. Davis  
Chief Executive Officer  
(Principal Executive Officer)**

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

I, Octavio Espinoza, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ligand Pharmaceuticals Incorporated;
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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2023

/s/ Octavio Espinoza  

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**Octavio Espinoza**  
**Chief Financial Officer**  
**(Principal Financial Officer)**

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**

In connection with the Quarterly Report of Ligand Pharmaceuticals Incorporated (the "Company") on Form 10-Q for the quarter ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Todd C. Davis, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, 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: May 8, 2023

/s/ Todd C. Davis

**Todd C. Davis**  
**Chief Executive Officer**  
**(Principal Executive Officer)**

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**

In connection with the Quarterly Report of Ligand Pharmaceuticals Incorporated (the "Company") on Form 10-Q for the quarter ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Octavio Espinoza, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, 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: May 8, 2023

/s/ Octavio Espinoza

**Octavio Espinoza**  
**Chief Financial Officer**  
**(Principal Financial Officer)**

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing. A signed original of this written statement required

by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.