UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2020

OR

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

Commission file number: 001-37813

SYROS PHARMACEUTICALS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware **(State or Other Jurisdiction of Incorporation or Organization)**	**45-3772460** **(I.R.S. Employer Identification No.)**
35 CambridgePark Drive, 4th Floor **Cambridge, Massachusetts** **(Address of Principal Executive Offices)**	**02140** **(Zip Code)**

(617) 744-1340
(Registrant's Telephone Number, Including Area Code)

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, $0.001 par value	**SYRS**	**Nasdaq Global Select Market**

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

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

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

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

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

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

Number of shares of the registrant's common stock, $0.001 par value, outstanding on October 31, 2020: 45,810,735

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Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, or Quarterly Report, contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements of historical facts, contained in this Quarterly Report, including statements regarding our strategy, future operations, future financial position, future revenue, projected costs, prospects, plans and objectives of management and expected market growth are forward-looking statements. The words "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should," "target," "would" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. The forward-looking statements and opinions contained in this Quarterly Report are based upon information available to us as of the date of this Quarterly Report and, while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information.

These forward-looking statements include, among other things, statements about:

- our plans to initiate and expand clinical trials of our product candidates and our expectations for the timing, quantity and quality of information to be reported from our clinical trials of SY-1425 and SY-5609;
- planned clinical trials for our product candidates, whether conducted by us or by any future collaborators, including the timing of these trials and of the anticipated results;
- our ability to discover and develop compounds suitable for clinical development and the timing for designation of future development candidates;
- our ability to replicate in any clinical trial of one of our product candidates the results we observed in preclinical or earlier clinical studies of such product candidate;
- our plans to research, develop, seek approval for, manufacture and commercialize our current and future product candidates;
- our plans to develop and seek approval of companion diagnostic tests for use in identifying patients who may benefit from treatment with our products and product candidates;
- our expectations regarding the potential benefits of our gene control platform and our approach;
- our ability to enter into, and the terms and timing of, any collaborations, license agreements, or other arrangements;
- whether a drug candidate will be nominated to enter investigational new drug application-enabling studies under our sickle cell disease collaboration with Global Blood Therapeutics, Inc., or GBT, whether GBT will exercise its option to exclusively license intellectual property arising from the collaboration, whether and when any option exercise fees, milestone payments or royalties under the collaboration agreement with GBT will ever be paid, and whether we exercise our U.S. co-promotion option under the GBT agreement;
- whether our target discovery collaboration with Incyte Corporation, or Incyte, will yield any validated targets, whether Incyte will exercise any of its options to exclusively license intellectual property directed to such targets, and whether and when any of the target validation fees, option exercise fees, milestone payments or royalties under the Incyte collaboration will ever be paid;
- the potential benefits of any future collaboration;
- developments relating to our competitors and our industry;
- the impact of government laws and regulations;

- the timing of and our ability to file new drug applications and obtain and maintain regulatory approvals for our product candidates;
- the rate and degree of market acceptance and clinical utility of any products for which we receive marketing approval;
- our commercialization, marketing and manufacturing capabilities and strategy;
- our intellectual property position and strategy;
- our ability to identify additional products or product candidates with significant commercial potential;
- our expectations related to the use of our current cash and cash equivalents and the period of time in which such capital will be sufficient to fund our planned operations; and
- our estimates regarding expenses, future revenue, capital requirements and need for additional financing.

We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report. We have included important factors in the cautionary statements included in this Quarterly Report, particularly in the "Risk Factors" section, that could cause actual results or events to differ materially from the forward-looking statements that we make. In particular, the extent to which the COVID-19 outbreak continues to impact our operations and those of the third parties on which we rely will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration and severity of the outbreak, additional or modified government actions, and the actions that may be required to contain the virus or treat its impact. COVID-19 has and may continue to adversely impact our operations and workforce, including our discovery research, supply chain and clinical trial operations activities, which in turn could have an adverse impact on our business and financial results. Our forward-looking statements also do not reflect the potential impact of any future acquisitions, mergers, dispositions, collaborations, joint ventures or investments that we may make or enter into. You should read this Quarterly Report completely and with the understanding that our actual future results may be materially different from what we expect. We do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

SYROS PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)
(unaudited)

	September 30, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 93,133	$ 41,441
Marketable securities	—	49,975
Accounts receivable	2	20,000
Contract assets	2,310	158
Prepaid expenses and other current assets	3,118	2,649
Restricted cash, current portion	—	290
Total current assets	98,563	114,513
Property and equipment, net	15,020	15,210
Other long-term assets	1,011	490
Restricted cash, net of current portion	3,086	3,086
Right-of-use asset – operating lease	14,992	15,821
Right-of-use assets – financing leases	663	858
Total assets	$ 133,335	$ 149,978
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 4,940	$ 5,853
Accrued expenses	10,285	10,646
Deferred revenue, current portion	11,177	5,739
Financing lease obligations, current portion	259	241
Operating lease obligation, current portion	1,402	1,037
Total current liabilities	28,063	23,516
Deferred revenue, net of current portion	14,218	22,639
Financing lease obligations, net of current portion	425	621
Operating lease obligation, net of current portion	24,970	24,018
Debt, net of debt discount, long term	19,719	—
Commitments and contingencies (See Note 9)		
Stockholders' equity:		
Preferred stock, $0.001 par value; 10,000,000 shares authorized at September 30, 2020 and December 31, 2019; 0 shares issued and outstanding at September 30, 2020 and December 31, 2019	—	—
Common stock, $0.001 par value; 200,000,000 shares authorized at September 30, 2020 and December 31, 2019; 45,807,878 and 43,367,801 shares issued and outstanding at September 30, 2020 and December 31, 2019, respectively	45	43
Additional paid-in capital	392,786	372,100
Accumulated other comprehensive gain	—	24
Accumulated deficit	(346,891)	(292,983)
Total stockholders' equity	45,940	79,184
Total liabilities and stockholders' equity	$ 133,335	$ 149,978

See accompanying notes to unaudited condensed consolidated financial statements.

SYROS PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenue	$ 3,828	$ 558	$ 9,394	$ 1,474
Operating expenses:				
Research and development	17,674	15,931	47,039	43,968
General and administrative	5,151	5,016	15,433	15,077
Total operating expenses	22,825	20,947	62,472	59,045
Loss from operations	(18,997)	(20,389)	(53,078)	(57,571)
Other (expense) income, net	(489)	596	(830)	1,862
Net loss applicable to common stockholders	$ (19,486)	$ (19,793)	$ (53,908)	$ (55,709)
Net loss per share applicable to common stockholders - basic and diluted	$ (0.43)	$ (0.47)	$ (1.19)	$ (1.42)
Weighted-average number of common shares used in net loss per share applicable to common stockholders - basic and diluted	45,781,638	42,439,338	45,137,331	39,324,751

See accompanying notes to unaudited condensed consolidated financial statements.

SYROS PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net loss	$ (19,486)	$ (19,793)	$ (53,908)	$ (55,709)
Other comprehensive gain (loss):				
Unrealized holding gain (loss) on marketable securities	—	17	(24)	24
Comprehensive loss	$ (19,486)	$ (19,776)	$ (53,932)	$ (55,685)

See accompanying notes to unaudited condensed consolidated financial statements.

SYROS PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY
For the nine months ended September 30, 2020 and 2019
(in thousands, except share data)
(unaudited)

	Common Stock		Series A Convertible Preferred Stock					
	Number of Shares	Par Value	Number of Shares	Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Gain	Accumulated Deficit	Stockholders' Equity
Balance at December 31, 2018	33,765,864	$ 34	—	$ —	$ 296,100	$ (3)	$ (217,545)	$ 78,586
Exercise of stock options	7,780	—	—	—	51	—	—	51
Issuance of common stock and accompanying warrants in underwritten public offering, net of issuance costs of $4,600	8,667,333	9	—	—	60,350	—	—	60,359
Issuance of preferred stock and accompanying warrants in underwritten public offering, net of issuance costs of $400	—	—	666	—	4,638	—	—	4,638
Exercise of warrants	250	—	—	—	2	—	—	2
Stock-based compensation expense	—	—	—	—	6,623	—	—	6,623
Other comprehensive gain	—	—	—	—	—	24	—	24
Net loss	—	—	—	—	—	—	(55,709)	(55,709)
Balance at September 30, 2019	42,441,227	$ 43	666	$ —	$ 367,764	$ 21	$ (273,254)	$ 94,574
Balance at December 31, 2019	43,367,801	$ 43	—	$ —	$ 372,100	$ 24	$ (292,983)	$ 79,184
Exercise of stock options	95,647	—	—	—	509	—	—	509
Vesting of restricted stock units	105,912	—	—	—	—	—	—	—
Issuance of shares under Employee Stock Purchase Plan	36,708	—	—	—	223	—	—	223
Issuance of common stock at-the-market, net of issuance costs of $411	2,201,810	2	—	—	11,917	—	—	11,919
Issuance of warrants	—	—	—	—	128	—	—	128
Stock-based compensation expense	—	—	—	—	7,909	—	—	7,909
Other comprehensive loss	—	—	—	—	—	(24)	—	(24)
Net loss	—	—	—	—	—	—	(53,908)	(53,908)
Balance at September 30, 2020	45,807,878	$ 45	—	$ —	$ 392,786	$ —	$ (346,891)	$ 45,940

SYROS PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY
For the three months ended September 30, 2020 and 2019
(in thousands, except share data)
(unaudited)

	Common Stock		Series A Preferred Stock					
	Number of Shares	Par Value	Number of Shares	Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Gain	Accumulated Deficit	Stockholders' Equity
Balance at June 30, 2019	42,435,497	$ 43	666	$ —	$ 365,329	$ 4	$ (253,461)	$ 111,915
Exercise of stock options	5,480	—	—	—	45	—	—	45
Exercise of warrants	250	—	—	—	2	—	—	2
Stock-based compensation expense	—	—	—	—	2,388	—	—	2,388
Other comprehensive gain	—	—	—	—	—	17	—	17
Net loss	—	—	—	—	—	—	(19,793)	(19,793)
Balance at September 30, 2019	42,441,227	$ 43	666	$ —	$ 367,764	$ 21	$ (273,254)	$ 94,574
Balance at June 30, 2020	45,758,881	$ 45	—	$ —	$ 389,766	$ -	$ (327,405)	$ 62,406
Exercise of stock options	46,547	—	—	—	297	—	—	297
Vesting of restricted stock units	2,450	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	2,723	—	—	2,723
Net loss	—	—	—	—	—	—	(19,486)	(19,486)
Balance at September 30, 2020	45,807,878	$ 45	—	$ —	$ 392,786	$ —	$ (346,891)	$ 45,940

SYROS PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2020	**2019**
Operating activities		
Net loss	$ (53,908)	$ (55,709)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,071	1,686
Amortization of financing right-of-use asset	196	138
Loss on disposal of fixed assets	—	14
Stock-based compensation expense	7,909	6,623
Net amortization of premiums and discounts on marketable securities	(49)	(751)
Amortization of debt-discount and accretion of deferred debt costs	196	—
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(576)	(827)
Accounts receivable	19,998	—
Contract assets	(2,152)	—
Other long-term assets	(461)	(2)
Accounts payable	104	92
Accrued expenses	70	(2,602)
Deferred revenue	(2,983)	(1,474)
Proceeds for tenant improvement incentive from landlord	2,035	2,218
Operating lease asset and liabilities	110	944
Net cash used in operating activities	(27,440)	(49,650)
Investing activities		
Purchases of property and equipment	(3,307)	(4,481)
Purchases of marketable securities	—	(108,206)
Maturities of marketable securities	50,000	84,000
Net cash provided by (used in) investing activities	46,693	(28,687)
Financing activities		
Payments on financing and capital lease obligations	(179)	(149)
Proceeds from issuance of common stock through employee benefit plans	509	51
Proceeds from the issuance of common stock through employee stock purchase plan	223	—
Proceeds from the issuance of common stock through exercise of warrants	—	2
Proceeds from issuance of common stock through at-the-market sales agreement, net of issuance costs	11,896	—
Proceeds from term loan, net of issuance costs	19,700	—
Proceeds from issuance of common stock and accompanying warrants in public offerings and private placements, net of issuance costs	—	60,359
Proceeds from issuance of convertible preferred stock and accompanying warrants in public offering, net of issuance costs	—	4,638
Net cash provided by financing activities	32,149	64,901
Increase (decrease) in cash, cash equivalents and restricted cash	51,402	(13,436)
Cash, cash equivalents and restricted cash (See reconciliation in Note 6)		
Beginning of period	44,817	50,814
End of period	$ 96,219	$ 37,378
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 1,055	$ 52
Cash paid for tax	$ 7	$ 29
Non-cash investing and financing activities:		
Property and equipment received but unpaid as of period end	$ 139	$ 4,773
Assets acquired under financing lease	$ —	$ 997
Offering costs incurred but unpaid as of period end	$ 103	$ 50

See accompanying notes to unaudited condensed consolidated financial statements.

SYROS PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Nature of Business

Syros Pharmaceuticals, Inc. (the "Company"), a Delaware corporation formed in November 2011, is a biopharmaceutical company seeking to redefine the power of small molecules to control the expression of genes.

The Company is subject to a number of risks similar to those of other early stage companies, including dependence on key individuals; risks inherent in the development and commercialization of medicines to treat human disease; competition from other companies, many of which are larger and better capitalized; risks relating to obtaining and maintaining necessary intellectual property protection; and the need to obtain adequate additional financing to fund the development of its product candidates and discovery activities. If the Company is unable to raise capital when needed or on favorable terms, it would be forced to delay, reduce, eliminate or out-license certain of its research and development programs or future commercialization rights to its product candidates.

The Company has incurred significant annual net operating losses in every year since its inception. It expects to continue to incur significant and increasing net operating losses for at least the next several years. The Company's net losses were $75.4 million, $62.3 million and $54.0 million for the years ended December 31, 2019, 2018 and 2017, respectively. As of September 30, 2020, the Company had an accumulated deficit of $346.9 million. The Company has not generated any revenues from product sales, has not completed the development of any product candidate and may never have a product candidate approved for commercialization. The Company has financed its operations to date primarily through the sale of equity securities, license and collaboration agreements and term debt. The Company has devoted substantially all of its financial resources and efforts to research and development and general and administrative activities to support such research and development. The Company's net losses may fluctuate significantly from quarter to quarter and year to year. Net losses and negative cash flows have had, and will continue to have, an adverse effect on the Company's stockholders' equity and working capital. The Company believes that its cash and cash equivalents of $93.1 million as of September 30, 2020 will be sufficient to allow the Company to fund its current operating plan for a period of at least 12 months past the issuance date of these unaudited interim condensed consolidated financial statements.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). Any reference in these notes to applicable guidance is meant to refer to the authoritative U.S. GAAP as found in the Accounting Standards Codification ("ASC") and Accounting Standards Updates ("ASU") of the Financial Accounting Standards Board ("FASB"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted from this report, as is permitted by such rules and regulations. Accordingly, these financial statements should be read in conjunction with the financial statements as of and for the year ended December 31, 2019 and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019 filed with the Securities and Exchange Commission ("SEC") on March 5, 2020.

The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited financial statements. In the opinion of the Company's management, the accompanying unaudited interim condensed consolidated financial statements contain all adjustments that are necessary to present fairly the Company's financial position as of September 30, 2020, the results of its operations for the three and nine months ended September 30, 2020 and 2019, statements of cash flows for the nine months ended September 30, 2020 and 2019, and statements of stockholder's equity for the three and nine months ended September 30, 2020 and 2019. Such adjustments are of a normal and recurring nature. The results for the nine months ended September 30, 2020 are not necessarily indicative of the results for the year ending December 31, 2020, or for any future period.

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of Syros Pharmaceuticals, Inc. and its wholly owned subsidiaries, Syros Securities Corporation, a Massachusetts corporation and Syros Pharmaceuticals (Ireland) Limited, an Irish limited liability company. All intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Management considers many factors in selecting appropriate financial accounting policies and in developing the estimates and assumptions that are used in the preparation of the financial statements. Management must apply significant judgment in this process. In addition, other factors may affect estimates, which include, but are not limited to, expected business and operational changes, sensitivity and volatility associated with the assumptions used in developing estimates and whether historical trends are expected to be representative of future trends. Management's estimation process may yield a range of potentially reasonable estimates and management must select an amount that falls within that range of reasonable estimates. On an ongoing basis, the Company's management evaluates its estimates, which include, but are not limited to, estimates related to revenue recognition, stock-based compensation expense, accrued expenses and income taxes. Actual results may differ from those estimates or assumptions. The full extent to which the COVID-19 pandemic will directly or indirectly impact the Company's business, results of operations and financial condition, including expenses, reserves and allowances, clinical trials, research and development costs and employee-related amounts, will depend on future developments that are highly uncertain, including as a result of new information that may emerge concerning COVID-19 and the actions taken to contain it or treat it.

Segment Information

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, or decision-making group, in making decisions on how to allocate resources and assess performance. The Company's chief operating decision maker is the Chief Executive Officer. The Company and the chief operating decision maker view the Company's operations and manage its business in one operating segment. The Company operates only in the United States.

Cash and Cash Equivalents

The Company considers all highly liquid instruments that have original maturities of three months or less when acquired to be cash equivalents. Cash equivalents, which generally consist of money market funds that invest in U.S. Treasury obligations, as well as overnight repurchase agreements, are stated at fair value. The Company maintains its bank accounts at one major financial institution.

Fair Value of Financial Instruments

ASC 820, *Fair Value Measurement* ("ASC 820"), establishes a fair value hierarchy for instruments measured at fair value that distinguishes between assumptions based on market data (observable inputs) and the Company's own assumptions (unobservable inputs). Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs are those that reflect the Company's assumption about the inputs that market participants would use in pricing the asset or liability. These are developed based on the best information available under the circumstances.

ASC 820 identifies fair value as the exchange price, or exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As a basis for considering market participant assumptions in fair value measurements, ASC 820 establishes a three-tier fair value hierarchy that distinguishes between the following:

Level 1—Quoted market prices (unadjusted) in active markets for identical assets or liabilities.

Level 2—Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable, such as quoted market prices, interest rates and yield curves.

Level 3—Unobservable inputs developed using estimates or assumptions developed by the Company, which reflect those that a market participant would use.

To the extent that the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized as Level 3. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The carrying amounts reflected in the condensed consolidated balance sheets for cash and cash equivalents, prepaid expenses, other current assets, restricted cash, accounts payable, accrued expenses, deferred revenue and financing and operating lease liabilities approximate their respective fair values due to their short-term nature.

Amortization of Debt Discount and Issuance Costs

Long-term debt is initially recorded at its allocated proceeds, net of discounts and issuance costs. Debt discount and issuance costs, consisting of legal fees, warrant grant date fair values and other issuance fees directly related to the debt, are offset against the initial carrying value of the debt and are amortized to interest expense over the estimated life of the debt using the effective interest method.

Revenue Recognition

To date the Company's only revenue has consisted of collaboration and license revenue. The Company has not generated any revenue from product sales and does not expect to generate any revenue from product sales for the foreseeable future.

The Company recognizes revenue in accordance with ASC 606, *Revenue from Contracts with Customers* ("ASC 606"). ASC 606 applies to all contracts with customers, except for contracts that are within the scope of other standards, such as leases, insurance, collaboration arrangements and financial instruments. Under ASC 606, an entity recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of ASC 606, the entity performs the following five steps:

(i) identify the contract(s) with a customer;

(ii) identify the performance obligations in the contract;

(iii) determine the transaction price;

(iv) allocate the transaction price to the performance obligations in the contract; and

(v) recognize revenue when (or as) the entity satisfies a performance obligation.

The Company only applies the five-step model to contracts when it is probable that the Company will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. If a contract is determined to be within the scope of ASC 606 at inception, the Company assesses the goods or services promised within such contract, determines which of those goods and services are performance obligations, and assesses whether each promised good or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the Company records a contract asset, excluding any amounts presented as accounts receivable. The Company includes unbilled accounts receivable as contract assets on its consolidated balance sheets. The Company records accounts receivable for amounts billed to the customer for which the Company has an unconditional right to consideration. The Company assesses contract assets and accounts receivable for impairment and, to date, no impairment losses have been recorded.

From time to time, the Company may enter into agreements that are within the scope of ASC 606. The terms of these arrangements typically include payment to the Company of one or more of the following: non-refundable, up-front license fees or prepaid research and development services; development, regulatory and commercial milestone payments; and royalties on net sales of licensed products. Each of these payments results in license and collaboration revenues, except for revenues from royalties on net sales of licensed products, which will be classified as royalty revenues.

The Company analyzes its collaboration arrangements to assess whether they are within the scope of ASC 808,*Collaborative Arrangements* ("ASC 808"), to determine whether such arrangements involve joint operating activities performed by parties that are both active participants in the activities and exposed to significant risks and rewards dependent on the commercial success of such activities. This assessment is performed throughout the life of the arrangement based on changes in the responsibilities of all parties in the arrangement. For collaboration arrangements within the scope of ASC 808 that contain multiple elements, the Company first determines which elements of the collaboration are deemed to be within the scope of ASC 808 and those that are more reflective of a vendor-customer relationship and therefore within the scope of ASC 606. For elements of collaboration arrangements that are accounted for pursuant to ASC 808, an appropriate recognition method is determined and applied consistently, generally by analogy to ASC 606. For those elements of the arrangement that are accounted for pursuant to ASC 606, the Company applies the five-step model described above.

Research and Development

Expenditures relating to research and development are expensed in the period incurred. Research and development expenses consist of both internal and external costs associated with the development of the Company's gene control platform and product candidates. Research and development costs include salaries and benefits, materials and supplies, external research, preclinical and clinical development expenses, stock-based compensation expense and facilities costs. Facilities costs primarily include the allocation of rent, utilities, depreciation and amortization.

In certain circumstances, the Company is required to make nonrefundable advance payments to vendors for goods or services that will be received in the future for use in research and development activities. In such circumstances, the nonrefundable advance payments are deferred and capitalized, even when there is no alternative future use for the research and development, until related goods or services are provided.

The Company records accruals for estimated ongoing research costs. When evaluating the adequacy of the accrued liabilities, the Company analyzes progress of the work being performed, including the phase or completion of the event, invoices received and costs. Significant judgements and estimates may be made in determining the accrued balances at the end of any reporting period. Actual results could differ from the Company's estimates.

The Company may in-license the rights to develop and commercialize product candidates. For each in-license transaction the Company evaluates whether it has acquired processes or activities along with inputs that would be sufficient to constitute a "business" as defined under U.S. GAAP. A "business" as defined under U.S. GAAP consists of inputs and processes applied to those inputs that have the ability to create outputs. Although businesses usually have outputs, outputs are not required for an integrated set of activities to qualify as a business. When the Company determines that it has not acquired sufficient processes or activities to constitute a business, any up-front payments, as well as milestone payments, are immediately expensed as acquired research and development in the period in which they are incurred.

Stock-Based Compensation Expense

The Company accounts for its stock-based compensation awards in accordance with ASC 718,*Compensation—Stock Compensation* ("ASC 718"). ASC 718 requires all stock-based payments to employees and directors, including grants of restricted stock units and stock option awards, to be recognized as expense in the consolidated statements of operations based on their grant date fair values. Grants of restricted stock units and stock option awards to other service providers, referred to as non-employees, are measured based on the grant-date fair value of the award and expensed in the Company's condensed consolidated statement of operations over the vesting period. The Company estimates the fair value of stock options granted using the Black-Scholes option-pricing model. Prior to June 30, 2016, the Company was a private company and, therefore, lacks Company-specific historical and implied volatility information. As a result, the Company determines its expected volatility by using a blend of its historical experience and a weighted average of selected peer companies. The expected term of the Company's stock options has been determined utilizing the "simplified" method for awards that qualify as "plain-vanilla" options. The expected term of stock options to non-employees can be determined using either the contractual term of the option award or the "simplified" method. The risk-free interest rate is determined by reference to the U.S. Treasury yield curve in effect at the time of grant of the award for time periods approximately equal to the expected term of the award. Expected dividend yield is based on the fact that the Company has never paid cash dividends and does not expect to pay any cash dividends in the foreseeable future. The Company uses the value of its common stock to determine the fair value of restricted stock units.

The Company expenses the fair value of its stock-based awards to employees and non-employees on a straight-line basis over the associated service period, which is generally the vesting period. The Company accounts for forfeitures as they occur instead of estimating forfeitures at the time of grant. Ultimately, the actual expense recognized over the vesting period will be for only those options that vest.

Compensation expense for discounted purchases under the employee stock purchase plan is measured using the Black-Scholes model to compute the fair value of the lookback provision plus the purchase discount and is recognized as compensation expense over the offering period.

For stock-based awards that contain performance-based milestones, the Company records stock-based compensation expense in accordance with the accelerated attribution model. Management evaluates when the achievement of a performance-based milestone is probable based on the expected satisfaction of the performance conditions as of the reporting date. For certain performance-based awards, notwithstanding any vesting in accordance with the achievement of performance-based milestones, such awards vest in full on the sixth anniversary of the vesting commencement date. Compensation expense for such awards is recognized over the six-year vesting period unless management determines that the achievement of any performance-based milestones is probable, in which case expense is accelerated.

Net Loss per Share

Basic net earnings per share applicable to common stockholders is calculated by dividing net earnings applicable to common stockholders by the weighted average shares outstanding during the period, without consideration for common stock equivalents. Diluted net earnings per share applicable to common stockholders is calculated by adjusting the weighted average shares outstanding for the dilutive effect of common stock equivalents outstanding for the period, determined using the treasury-stock method and the if-converted method. For purposes of the calculation of dilutive net loss per share applicable to common stockholders, stock options, unvested restricted stock units, and warrants are considered to be common stock equivalents but are excluded from the calculation of diluted net loss per share applicable to common stockholders, as their effect would be anti-dilutive; therefore, basic and diluted net loss per share applicable to common stockholders were the same for all periods presented.

The following common stock equivalents were excluded from the calculation of diluted net loss per share applicable to common stockholders for the periods indicated because including them would have had an anti-dilutive effect:

	As of September 30,	
	2020	**2019**
Stock options	5,549,290	4,651,250
Unvested restricted stock units	1,694,633	1,108,691
Warrants*	2,145,642	2,118,094
Convertible preferred stock **	—	666,000
Total	9,389,565	8,544,035

* As of September 30, 2020, this is comprised of 2,118,094 warrants to purchase common stock issued in connection with the Company's April 2019 financing (refer to Note 10) and 27,548 warrants to purchase common stock issued in connection with the execution of the Loan Agreement in February 2020 (refer to Note 7). As of September 30, 2019, this was comprised solely of 2,118,344 warrants to purchase common stock issued in connection with the Company's April 2019 financing.

** In November 2019, the 666 shares of preferred stock issued in connection with the Company's April 2019 financing were converted into 666,000 shares of common stock.

Income Taxes

The Company accounts for uncertain tax positions using a more-likely-than-not threshold for recognizing and resolving uncertain tax positions. The evaluation of uncertain tax positions is based on factors including, but not limited to, changes in the law, the measurement of tax positions taken or expected to be taken in tax returns, the effective settlement of matters subject to audit, new audit activity, and changes in facts or circumstances related to a tax position.

Recent Accounting Pronouncements

In April 2019, the FASB issued ASU No. 2019-04,*Codification Improvements to Topic 326 Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825* ("ASU 2019-04"). ASU 2019-04 clarifies the accounting treatment for the measurement of credit losses under ASC 236 and provides further clarification on previously issued updates including ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* and ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2019-04 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently in the process of evaluating the new standard but does not anticipate ASU 2019-14 will have a material impact on its consolidated financial statements and related disclosures

Recently Adopted Accounting Pronouncements

In November 2018, the FASB issued ASU No. 2018-18, Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606, Revenue from Contracts with Customers ("ASU 2018-18"). ASU 2018-18 (1) clarifies that certain transactions between collaborative arrangement participants should be accounted for under ASC 606, when the collaborative arrangement participant is a customer in the context of a unit of account, (2) adds unit-of-account guidance in ASC 808 to align with ASC 606 when an entity is assessing whether the collaborative arrangement, or a part of the arrangement, is within the scope of ASC 606, and (3) precludes presenting transactions together with revenue when those transactions involve collaborative arrangement participants that are not directly related to third parties and are not customers. The Company adopted ASU 2018-18 during the quarter ending March 31, 2020; the adoption of ASU 2018-18 did not have a material impact on the Company's condensed consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurements (Topic 820) ("ASU 2018-13"), which provides for changes to the disclosure requirements for recurring and nonrecurring fair value measurements under Topic 820. ASU 2018-13 is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2019. Provisions of ASU 2018-13 including changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty were required to be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. The Company adopted ASU 2018-18 during the quarter ending March 31, 2020; the adoption of ASU 2018-13 did not have a material impact on the Company's condensed consolidated financial statements and related disclosures.

3. Collaboration and Research Arrangements

Collaboration with Global Blood Therapeutics

On December 17, 2019, the Company entered into a license and collaboration agreement (the "GBT Collaboration Agreement") with Global Blood Therapeutics, Inc. ("GBT"), pursuant to which the parties agreed to a research collaboration to discover novel targets that induce fetal hemoglobin in order to develop new small molecule treatments for sickle cell disease and beta thalassemia. The research term (the "Research Term") is for an initial period of three years and can be extended for up to two additional one-year terms upon mutual agreement.

Pursuant to the terms of the GBT Collaboration Agreement, GBT paid the Company an upfront payment of $20.0 million. GBT also agreed to reimburse the Company for full-time employee and out-of-pocket costs and expenses incurred by the Company in accordance with the agreed-upon research budget, which is anticipated to total approximately $40.0 million over the initial Research Term.

The Company granted to GBT an option (the "Option") to obtain an exclusive, worldwide license, with the right to sublicense, under relevant intellectual property rights and know-how of the Company arising from the collaboration to develop, manufacture and commercialize any compounds or products resulting from the collaboration GBT may exercise the Option at any time during the period (i) commencing on the earlier of (a) the date of GBT's designation of the first product candidate to enter investigational new drug application-enabling studies, or (b) if no such candidate is designated as of the expiration of the Research Term, the date of expiration of the Research Term, and (ii) ending on the 180th day after the date of expiration or earlier termination of the Research Term. GBT's exercise of the Option will be subject to any required filings with the applicable antitrust authority as required by the antitrust laws and satisfaction of any applicable antitrust conditions.

Should GBT exercise its Option, the Company could receive up to $315.0 million in option exercise, development, regulatory, commercialization and sales-based milestones per product candidate and product resulting from the collaboration.

The Company will also be entitled to receive, subject to certain reductions, tiered mid-to-high single digit royalties as percentages of calendar year net sales on any product.

Either party may terminate the GBT Collaboration Agreement for the other party's uncured material breach or insolvency, and in certain other specified circumstances, subject to specified notice and cure periods. GBT may unilaterally terminate the GBT Collaboration Agreement in its entirety, for any or no reason, upon nine-months' prior written notice to the Company if such notice is delivered during the Research Term, or90 days' prior written notice to the Company if such notice is delivered after the expiration or termination of the Research Term.

GBT Collaboration Revenue

The Company analyzed the GBT Collaboration Agreement and concluded that it represents a contract with a customer within the scope of ASC 606.

The Company identified a single performance obligation, which includes a (i) non-exclusive research license that GBT will have access to during the initial Research Term and (ii) research and development services provided during the initial Research Term. The GBT Collaboration Agreement includes the Option. The Option does not provide a material right to GBT that it would receive without entering into the GBT Collaboration Agreement, principally because the Option exercise fee is at least equal to the standalone selling price for the underlying goods. The non-exclusive research license is not distinct as GBT cannot benefit from the license without the research and development services that are separately identifiable in the contract. The non-exclusive research license only allows GBT to evaluate the candidate compounds developed under the research plan or to conduct work allocated to it during the Research Term. GBT cannot extract any benefit from the non-exclusive research license without the research and development services performed by the Company, including the provision of data package information. As such, these two promises are inputs to a combined output (the delivery of data package allowing GBT to make an Option exercise decision) and are bundled into a single performance obligation (the non-exclusive research license and research and development service performance obligation).

At inception, the total transaction price was determined to be approximately $60.0 million, which consisted of a $20.0 million upfront non-refundable and non-creditable technology access fee and approximately $40.0 million in reimbursable costs for employee and external research and development expenses. The GBT Collaboration Agreement also provides for development and regulatory milestones which are only payable subsequent to the exercise of the Option, and therefore are excluded from the transaction price at inception. The Company will re-evaluate the transaction price at the end of each reporting period and as uncertain events are resolved or other changes in circumstances occur.

During the nine months ended September 30, 2020, there wasno change in the total transaction price, which remained at approximately $60.0 million.

ASC 606 requires an entity to recognize revenue only when it satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. As the non-exclusive research license and research and development services represent one performance obligation, the Company has determined that it will satisfy its performance obligation over a period of time as services are performed and GBT receives the benefit of the services, as the overall purpose of the arrangement is for the Company to perform the services. The Company will recognize revenue associated with the performance obligation as the research and development services are provided using an input method, according to the costs incurred as related to the research and development activities and the costs expected to be incurred in the future to satisfy the performance obligation. The transfer of control occurs during this time and is the best measure of progress towards satisfying the performance obligation.

During the three and nine months ended September 30, 2020, the Company recognized revenue of $3.5 million and $8.2 million, respectively, under the GBT Collaboration Agreement. As of September 30, 2020, the Company has deferred revenue outstanding under the GBT Collaboration Agreement of approximately $17.9 million, of which $7.8 million and $10.1 million were classified as deferred revenue, current portion and deferred revenue, net of current portion, respectively, on the Company's condensed consolidated balance sheets.

Agreements with Incyte Corporation

In January 2018, the Company and Incyte entered into a Target Discovery, Research Collaboration and Option Agreement (the "Incyte Collaboration Agreement"). The Incyte Collaboration Agreement was amended in November 2019. Under the Incyte Collaboration Agreement, the Company is using its proprietary gene control platform to identify novel therapeutic targets with a focus on myeloproliferative neoplasms, and Incyte has received options to obtain exclusive worldwide rights to intellectual property resulting from the collaboration for the development and commercialization of therapeutic products directed to up to seven validated targets. For each option exercised by Incyte, Incyte will have the exclusive worldwide right to use the licensed intellectual property to develop and commercialize therapeutic products that modulate the target as to which the option was exercised. Under the terms of the Incyte Collaboration Agreement, Incyte paid the Company $10.0 million in up-front consideration, consisting of $2.5 million in cash and $7.5 million in pre-paid research funding (the "Prepaid Research Amount"). The Company's activities under the Incyte Collaboration Agreement are subject to a joint research plan and, subject to certain exceptions, Incyte is responsible for funding the Company's activities under the research plan, including amounts in excess of the Prepaid Research Amount.

In January 2018, the Company also entered into a Stock Purchase Agreement with Incyte (the "Stock Purchase Agreement") whereby, for an aggregate purchase price of $10.0 million, Incyte purchased 793,021 shares of the Company's common stock at $12.61 per share. Under the terms of the Stock Purchase Agreement, the shares were purchased at a 30% premium over the volume-weighted sale price of the shares of the Company's common stock over the 15-trading day period immediately preceding the date of the Stock Purchase Agreement.

Incyte Collaboration Revenue

The Company analyzed the Incyte Collaboration Agreement and concluded that it represents a contract with a customer within the scope of ASC 606.

The Company identified a single performance obligation which includes (i) a research license that Incyte retains as long as there remains an unexercised option (the "Research License"), and (ii) research and development services provided during the research term. The Incyte Collaboration Agreement includes options to (x) obtain additional time to exercise the license options for certain targets designated as definitive validation targets, and (y) obtain license rights to each validated target, both of which were not considered by the Company's management to be material rights, and therefore not performance obligations, at inception.

At inception, the total transaction price was determined to be $12.3 million and was subsequently increased to $12.8 million following a November 2019 amendment. As of September 30, 2020, the total transaction price is $12.8 million, consisting of a $2.5 million upfront non-refundable and non-creditable payment, the $7.5 million Prepaid Research Amount, $2.3 million in premium paid on the equity investment made pursuant the Stock Purchase Agreement, and $0.5 million of additional consideration. The Company accounted for the contract amendment as a modification as if it were part of the existing contract as the remaining goods and services are not distinct, and therefore form part of a single performance obligation that was partially satisfied at the date of the amendment. This additional consideration will be recognized on a percent complete basis as work is performed.

The Incyte Collaboration Agreement also provides for development and regulatory milestones that are only payable subsequent to the exercise of an option and were therefore excluded from the transaction price at inception. The Company intends to re-evaluate the transaction price at the end of each reporting period and as uncertain events are resolved or other changes in circumstances occur.

The Company recognizes revenue associated with the performance obligation as the research and development services are provided using an input method, according to the costs incurred as related to the research and development activities and the costs expected to be incurred in the future to satisfy the performance obligation. The transfer of control occurs during this time and is the best measure of progress towards satisfying the performance obligation.

During the three months ended September 30, 2020 and 2019, the Company recognized $0.3 million and $0.6 million of revenue, respectively, under the Incyte Collaboration Agreement. During the nine months ended September 30, 2020 and 2019, the Company recognized $1.2 million and $1.5 million of revenue, respectively, under the Incyte Collaboration Agreement. As of September 30, 2020, the Company has deferred revenue outstanding under the Incyte Collaboration Agreement of approximately $7.5 million, of which $3.4 million and $4.1 million were classified as deferred revenue, current portion and deferred revenue, net of current portion, respectively, on the Company's condensed consolidated balance sheets.

The following table presents the changes in accounts receivable, contract assets and liabilities for the nine months ended September 30, 2020 (in thousands):

	Balance at December 31, 2019	Additions	Deductions	Balance at September 30, 2020
Accounts receivable and contract assets:				
Billed receivables from collaboration partners	$ 20,000	$ 4,262	$ 24,260	$ 2
Unbilled receivables from collaboration partners	158	5,396	3,244	2,310
Total Accounts receivable and contract assets	$ 20,158	$ 9,658	$ 27,504	$ 2,312
Contract liabilities:				
Deferred revenue - Incyte	$ 8,378	$ 335	$ 1,200	$ 7,513
Deferred revenue - GBT	$ 20,000	$ 681	$ 2,799	$ 17,882
Total contract liabilities	$ 28,378	$ 1,016	$ 3,999	$ 25,395

4. Cash, Cash Equivalents and Marketable Securities

Cash equivalents are highly liquid investments that are readily convertible into cash with original maturities of three months or less when purchased. Marketable securities consist of securities with original maturities greater than 90 days when purchased. The Company classifies these marketable securities as available-for-sale and records them at fair value in the accompanying condensed consolidated balance sheets. Unrealized gains or losses are included in accumulated other comprehensive gain (loss). Premiums or discounts from par value are amortized to other (expense) income over the life of the underlying security.

Cash, cash equivalents and marketable securities consisted of the following at September 30, 2020 and December 31, 2019 (in thousands):

September 30, 2020	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Cash and cash equivalents:				
Cash and money market funds	$ 93,133	$ —	$ —	$ 93,133
Total:	$ 93,133	$ —	$ —	$ 93,133

December 31, 2019	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Cash and cash equivalents:				
Cash and money market funds	$ 29,441	$ —	$ —	$ 29,441
Overnight repurchase agreements	12,000	—	—	12,000
Marketable securities:				
U.S. treasury obligations	49,951	24	—	49,975
Total:	$ 91,392	$ 24	$ —	$ 91,416

Although available to be sold to meet operating needs or otherwise, securities are generally held through maturity. The cost of securities sold is determined based on the specific identification method for purposes of recording realized gains and losses. During the nine months ended September 30, 2020 and 2019, there were no realized gains or losses on sales of investments, and no investments were adjusted for other-than-temporary declines in fair value.

As of December 31, 2019, all marketable securities had maturities of less than twelve months when purchased and therefore were classified as short-term.

5. Fair Value Measurements

Assets measured at fair value on a recurring basis as of September 30, 2020 and December 31, 2019 were as follows (in thousands):

Description	September 30, 2020	Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Cash and cash equivalents:				
Cash and money market funds	$ 93,133	$ 93,133	$ —	$ —
	$ 93,133	$ 93,133	$ —	$ —

Description	December 31, 2019	Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Cash and cash equivalents:				
Cash and money market funds	$ 29,441	$ 29,441	$ —	$ —
Overnight repurchase agreements	12,000	—	12,000	—
Marketable securities:				
U.S. treasury obligations	49,975	49,975	—	—
	$ 91,416	$ 79,416	$ 12,000	$ —

As of September 30, 2020, the fair value of the long-term debt is based on Level 3 inputs and approximated its carrying value.

6. Restricted Cash

At September 30, 2020, the Company had $3.1 million in restricted cash, all of which was classified as long-term on the Company's condensed consolidated balance sheets, and all of which was attributable to the 2019 Lease (See Note 9).

In connection with the execution of the 2019 Lease, the Company was required to provide the landlord with a letter of credit in the amount of $3.1 million that will expire 95 days after expiration or early termination of the 2019 Lease. The Company will have the right, under certain conditions, to reduce the amount of the letter of credit to $2.1 million in October 2023.

During the nine months ended September 30, 2020, the Company collected its $0.3 million letter of credit associated with its 2015 Lease (See Note 9), which was previously classified as short-term on the Company's consolidated balance sheets as of December 31, 2019.

At December 31, 2019, the Company had $3.4 million in restricted cash, of which $0.3 million was classified as short-term and $3.1 million was classified as long-term.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the condensed consolidated balance sheets that sum to the total of the amounts shown in the Company's condensed consolidated statement of cash flows as of September 30, 2020, December 31, 2019, September 30, 2019 and December 31, 2018 (in thousands):

	September 30, 2020	December 31, 2019	September 30, 2019	December 31, 2018
Cash and cash equivalents	$ 93,133	$ 41,441	$ 33,364	$ 49,886
Restricted cash, current portion	—	290	638	638
Restricted cash, net of current portion	3,086	3,086	3,376	290
Total cash, cash equivalents and restricted cash	$ 96,219	$ 44,817	$ 37,378	$ 50,814

7. Oxford Finance Loan Agreement

On February 12, 2020, the Company entered into a Loan and Security Agreement (the "Loan Agreement") with Oxford Finance LLC (the "Lender"). Pursuant to the Loan Agreement, a term loan of up to an aggregate principal amount of $60.0 million is available to the Company. A $20.0 million term loan was funded on February 12, 2020, and two additional term loan advances of $20.0 million each remain available under the Loan Agreement, subject to certain terms and conditions, including the achievement of certain milestones.

The term loan bears interest at an annual rate equal to the greater of (i) 7.75% and (ii) the sum of 5.98% and the greater of (A) one-month LIBOR or (B) 1.77%. The Loan Agreement provides for interest-only payments until March 1, 2023, and repayment of the aggregate outstanding principal balance of the term loan in monthly installments starting on March 1, 2023 and continuing through February 1, 2025 (the "Maturity Date"). The Company paid a facility fee of $0.1 million upon closing, and in addition will pay a facility fee of $75,000 upon closing of the second loan tranche and a $50,000 facility fee upon the closing of the third loan tranche. The Company will be required to make a final payment fee of 5.00% of the amount of the term loan drawn payable on the earlier of (i) the prepayment of the term loan or (ii) the Maturity Date. At the Company's option, the Company may elect to prepay the loans subject to a prepayment fee equal to the following percentage of the principal amount being prepaid: 2% if an advance is prepaid during the first 12 months following the applicable advance date, 1% if an advance is prepaid after 12 months but prior to 24 months following the applicable advance date, and 0.5% if an advance is prepaid any time after 24 months following the applicable advance date but prior to the Maturity Date.

In connection with the Loan Agreement, the Company granted the Lender a security interest in all of the Company's personal property now owned or hereafter acquired, excluding intellectual property (but including the right to payments and proceeds of intellectual property), and a negative pledge on intellectual property. The Loan Agreement also contains certain events of default, representations, warranties and non-financial covenants of the Company.

In addition, under the Loan Agreement, the Company issued the Lender warrants to purchase 27,548 shares of the Company's common stock at an exercise price per share of $7.26 (the "Oxford Warrants"). The Oxford Warrants will be exercisable for five years from the date of issuance.

The Oxford Warrants are classified as a component of permanent equity because they are freestanding financial instruments that are legally detachable and separately exercisable from the shares of common stock with which they were issued, are immediately exercisable, do not embody an obligation for the Company to repurchase its shares, and permit the holders to receive a fixed number of shares of common stock upon exercise. In addition, the Oxford Warrants do not provide any guarantee of value or return. The Company valued the Oxford Warrants at issuance using the Black-Scholes option pricing model and determined the fair value of the Oxford Warrants to be $0.1 million. The key inputs to the valuation model included an average volatility of 75.43% and an expected term of 5.0 years.

The Company has the following minimum aggregate future loan payments as of September 30, 2020 (in thousands):

Three months ending December 31, 2020	$	—
Year ended December 31, 2021		—
Year ended December 31, 2022		—
Year ended December 31, 2023		8,333
Year ended December 31, 2024		10,000
Year ended December 31, 2025		1,667
Total minimum payments	$	20,000
Less debt discount		(414)
Plus accretion of final fees		133
Less current portion		—
Long-term debt, net of current portion	$	19,719

For the three and nine months ended September 30, 2020, interest expense related to the Loan Agreement was approximately $0.5 million and $1.2 million, respectively. The total carrying value of debt is classified as long-term on the Company's condensed consolidated balance sheets as of September 30, 2020.

8. Accrued Expenses

Accrued expenses consisted of the following as of September 30, 2020 and December 31, 2019 (in thousands):

	September 30, 2020	December 31, 2019
External research and preclinical development	$ 5,651	$ 5,395
Employee compensation and benefits	3,924	4,174
Professional fees	667	694
Facilities and other	43	383
	$ 10,285	$ 10,646

9. Commitments and Contingencies

Operating Leases

In March 2015, the Company entered into an operating lease for approximately 21,488 rentable square feet of office and laboratory space in Cambridge, Massachusetts (the "2015 Lease"), with a lease term commencing in August 2015 and ending in October 2020. In November 2019, the Company and its landlord agreed to terminate the 2015 Lease effective December 31, 2019. As of December 31, 2019, the 2015 Lease had terminated and all obligations relating the 2015 Lease were satisfied in full with no remaining balances as of that date.

On January 8, 2019, the Company entered into a lease (the "2019 Lease") with respect to approximately 52,859 square feet of space in Cambridge, Massachusetts for a lease term commencing in January 2019 and ending in February 2030. The Company has the option to extend the lease term for one additional ten-year period. The 2019 Lease has escalating rent payments and the Company records rent expense on a straight-line basis over the term of the 2019 Lease, including any rent-free periods. The 2019 Lease includes certain lease incentives in the form of tenant allowances. The 2019 Lease also included an abatement period during which the Company was not required to remit monthly rent payments until March 2020.

In connection with the execution of the 2019 Lease, the Company was required to provide the landlord with a letter of credit in the amount of $3.1 million (See Note 6).

The Company determined that, for purposes of applying the lease accounting guidance codified in ASU No. 2016-02, *Leases (Topic 842) (*"ASC 842"), the commencement date of the 2019 Lease occurred on May 1, 2019. The Company recorded a right-of-use asset and lease liability of $15.8 million using an incremental borrowing rate of 9.3%, net of tenant allowances expected to be received of $9.3 million, on the May 1, 2019 lease commencement date. The Company is amortizing the tenant allowance to offset rent expenses over the term of the 2019 Lease starting at the lease commencement date on a straight-line basis. On the Company's condensed consolidated balance sheets, the Company classified $1.4 million of the lease liability as short-term and $25.0 million of the lease liability as long-term as of September 30, 2020.

The Company elected the practical expedient provided under ASC 842 and therefore combined all lease and non-lease components when determining the right-of-use asset and lease liability for the 2019 Lease.

Financing Lease

In March 2019, the Company entered into an equipment lease agreement (the "Equipment Lease") that has a 48-month term. At the end of the term, the Company has the right to return the leased equipment, extend the lease, or buy the equipment at the then-current fair market value of the equipment. The Company accounted for the Equipment Lease as a financing lease under ASC 842 and recorded a financing lease right-of-use asset and a corresponding financing lease liability of approximately $1.0 million at the time the Equipment Lease was executed.

The following is a maturity analysis of the annual undiscounted cash flows reconciled to the carrying value of the operating and financing lease liabilities as of September 30, 2020 (in thousands):

	Operating	Financing
Three months ending December 31, 2020	$ 942	$ 78
Year ended December 31, 2021	3,824	313
Year ended December 31, 2022	3,935	313
Year ended December 31, 2023	4,049	66
Year ended December 31, 2024 and beyond	27,709	—
Total minimum lease payments	$ 40,459	$ 770
Less imputed interest	14,087	86
Total lease liability	$ 26,372	$ 684

The following table outlines the total lease cost for the Company's operating and financing leases as well as weighted average information for these leases as of September 30, 2020 (in thousands):

	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2020
Lease cost:		
Operating lease cost	$ 739	$ 2,193
Financing lease cost:		
Amortization of right-of-use asset	$ 65	$ 196
Interest on lease liabilities	17	56
Total financing lease cost	$ 82	$ 252
Cash paid for amounts included in the measurement of liabilities:		
Operating cash flows from operating leases	$ 925	$ 2,179
Operating cash flows from financing lease	$ 78	$ 234

Other information:	Nine Months Ended September 30, 2020
Weighted-average remaining lease term (in years) - operating lease	9.34
Weighted-average discount rate - operating lease	9.30 %
Weighted-average remaining lease term (in years) - financing lease	2.55
Weighted-average discount rate - financing lease	9.47 %

Following the adoption of ASC 842, the Company has a right-of-use asset and lease liability that results in recording a temporary tax difference. This temporary tax difference is the result of recognizing a right-of-use asset and related lease liability while such asset and liability have no corresponding tax basis.

License Agreements

TMRC Co. Ltd.

In September 2015, the Company entered into an exclusive license agreement with TMRC Co. Ltd. ("TMRC") to develop and commercialize tamibarotene in North America and Europe for the treatment of cancer. This agreement was amended and restated in April 2016.

In exchange for this license, the Company agreed to a non-refundable upfront payment of $1.0 million, for which $0.5 million was paid in September 2015 upon execution of the agreement, and the remaining $0.5 million was paid in May 2016. Under the agreement, the Company is also obligated to make payments upon the successful achievement of clinical and regulatory milestones totaling approximately $13.0 million per indication, defined as a distinct tumor type. In September 2016, the Company paid $1.0 million to TMRC for a development milestone achieved upon the successful dosing of the first patient in its Phase 2 clinical trial of SY-1425. In addition, the Company is obligated to pay TMRC a single-digit percentage royalty, on a country-by-country and product-by-product basis, on net product sales of SY-1425 using know-how and patents licensed from TMRC in North America and Europe for a defined royalty term.

The Company also entered into a supply management agreement with TMRC under which the Company agreed to pay TMRC a fee for each kilogram of SY-1425 active pharmaceutical ingredient that is produced. The Company incurred fees of $0.8 million under this supply management agreement during the nine months ended September 30, 2020. No fees were incurred under this supply management agreement during the three months ended September 30, 2020 or during the nine months ended September 30, 2019.

10. Convertible Preferred Stock and Warrants

Concurrent Public Offerings and Accounting Treatment

On April 9, 2019, the Company completed two concurrent underwritten public offerings of its equity securities. In the first public offering, the Company sold 8,667,333 shares of its common stock and accompanying Class A warrants (the "Warrants") to purchase 1,951,844 shares of the Company's common stock at a combined price to the public of $7.50 per common share and accompanying Warrant. In the second public offering, the Company sold 666 shares of its Series A convertible preferred stock (the "Series A Preferred Stock") and accompanying Warrants to purchase 166,500 shares of the Company's common stock at a combined public offering price of $7,500 per share and accompanying Warrant. The offerings resulted in aggregate gross proceeds to the Company of $70.0 million, before underwriting discounts and commissions and offering expenses payable by the Company of approximately $5.0 million.

In November 2019, all 666 shares of Series A Preferred Stock were converted by the holder into 666,000 shares of common stock. As of September 30, 2020, there were no shares of Series A Preferred Stock outstanding.

Each Warrant has an exercise price per share of common stock of $8.625, subject to adjustment under certain circumstances, and will expire on October 10, 2022. Each Warrant is currently exercisable, provided that the holder is prohibited, subject to certain exceptions, from exercising the Warrant for shares of the Company's common stock to the extent that immediately prior to or after giving effect to such exercise, the holder, together with its affiliates and other attribution parties, would own more than 4.99% of the total number of shares of the Company's common stock then issued and outstanding. This percentage may be changed at the holders' election to a higher or lower percentage upon 61 days' notice to the Company.

The Company evaluated the Series A Preferred Stock and Warrants for liability or equity classification in accordance with the provisions of ASC 480, *Distinguishing Liabilities from Equity*, and determined that equity treatment was appropriate because neither the Series A Preferred Stock nor the Warrants met the definition of liability instruments.

The Series A Preferred Stock was not mandatorily redeemable and did not embody an obligation to buy back the shares outside of the Company's control in a manner that could require the transfer of assets. Additionally, the Company determined that the Series A Preferred Stock would be recorded as permanent equity, not temporary equity, given that the holders of equally and more subordinated equity would be entitled to receive the same form of consideration upon the occurrence of the event that gives rise to the redemption or events of redemption that are within the control of the Company.

Additionally, as the effective conversion price of the Series A Preferred Stock of $6.57 was below the fair value of the Company's common stock on the date of issuance of $7.50, the Company determined that the Series A Preferred Stock included a beneficial conversion feature. The Company calculated the value of the beneficial conversion feature to be approximately $0.6 million, which was recorded as a discount to the Series A Preferred Stock at the time of issuance.

The Warrants are classified as a component of permanent equity because they are freestanding financial instruments that are legally detachable and separately exercisable from the shares of common stock with which they were issued, are immediately exercisable, do not embody an obligation for the Company to repurchase its shares, and permit the holders to receive a fixed number of shares of common stock upon exercise. In addition, the Warrants do not provide any guarantee of value or return. The Company valued the Warrants at issuance using the Black-Scholes option pricing model and determined the fair value of the Warrants to purchase 2,118,344 shares of the Company's common stock was $9.0 million. The key inputs to the valuation model included an average volatility of 86.06% and an expected term of 3.5 years.

As of September 30, 2020, Warrants to purchase 2,118,094 shares of common stock are outstanding and remain unexercised (excluding the Oxford Warrants described in Note 7).

11. Stock-Based Payments

2016 Stock Incentive Plan

The 2016 Stock Incentive Plan (the "2016 Plan") was adopted by the board of directors on December 15, 2015, approved by the stockholders on June 17, 2016, and became effective on July 6, 2016 upon the closing of the Company's initial public offering ("IPO"). The 2016 Plan replaced the 2012 Equity Incentive Plan (the "2012 Plan"). Any options or awards outstanding under the 2012 Plan remained outstanding and effective. Under the 2016 Plan, the Company may grant incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock, restricted stock units and other stock-based awards. The number of shares of the Company's common stock reserved for issuance under the 2016 Plan automatically increases on the first day of each calendar year, through the 2025 calendar year, in an amount equal to the least of (i) 1,600,000 shares of common stock, (ii) 4.0% of the outstanding shares of common stock as of such date, or (iii) such lesser amount as specified by the board of directors. This number is subject to adjustment in the event of a stock split, stock dividend or other change in the Company's capitalization. For the calendar year beginning January 1, 2020, the number of shares reserved for issuance under the 2016 Plan was increased by 1,600,000 shares. At September 30, 2020, 1,958,095 shares remained available for future issuance under the 2016 Plan. Under the 2016 Plan, stock options may not be granted at less than fair value on the date of grant.

2016 Employee Stock Purchase Plan

The 2016 Employee Stock Purchase Plan (the "2016 ESPP") was adopted by the board of directors on December 15, 2015, approved by the stockholders on June 17, 2016, and became effective on July 6, 2016 upon the closing of the IPO. The number of shares of the Company's common stock reserved for issuance under the 2016 ESPP automatically increases on the first day of each calendar year through the 2025 calendar year, in an amount equal to the least of (i) 1,173,333 shares of the Company's common stock, (ii) 1.0% of the total number of shares of the Company's common stock outstanding on the first day of the applicable year, and (iii) an amount determined by the Company's board of directors. For the calendar year beginning January 1, 2020, the number of shares reserved for issuance under the 2016 ESPP was increased by 433,678 shares. At September 30, 2020, 1,791,998 shares remained available for future issuance under the 2016 ESPP.

Stock Options

Terms of stock option agreements, including vesting requirements, are determined by the board of directors, subject to the provisions of the 2016 Plan. Stock option awards granted by the Company generally vest over four years, with 25% vesting on the first anniversary of the vesting commencement date and 75% vesting ratably, on a monthly basis, over the remaining three years. Such awards have a contractual term of ten years from the grant date.

The Company has granted certain stock options to management for which vesting accelerates upon the achievement of performance-based criteria. Milestone events are specific to the Company's corporate goals, including but not limited to certain clinical development milestones for the Company's product candidates and the Company's ability to execute on its corporate development and financing strategies. Stock-based compensation expense associated with these performance-based stock options is recognized based on the accelerated attribution model. Management evaluates when the achievement of a performance-based milestone is probable based on the expected satisfaction of the performance conditions as of the reporting date. Notwithstanding any vesting in accordance with the achievement of performance-based milestones, such awards vest in full on the sixth anniversary of the vesting commencement date. The Company did not record any additional stock-based compensation expense related to the achievement of performance-based milestones during the three and nine months ended September 30, 2020 or 2019. As of September 30, 2020, there was $0.3 million of unrecognized stock-based compensation expense related to the performance-based stock options granted to management, with an expected recognition period of 2.1 years.

The Company has granted options to purchase 75,000 shares of common stock to an advisor that vest solely upon the achievement of performance-based criteria. As of September 30, 2020, none of such performance-based criteria had been achieved. As of September 30, 2020, there was $0.3 million of unrecognized compensation cost related to this option, with a remaining contractual period of 6.0 years.

A summary of the status of stock options as of December 31, 2019 and September 30, 2020 and changes during the nine months ended September 30, 2020 is presented below:

	Shares	Weighted Average Exercise Price	Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2019	4,618,421	$ 9.16	7.5	$ 2,525
Granted	1,190,050	7.84		
Exercised	(95,647)	5.32		
Cancelled	(163,534)	10.88		
Outstanding at September 30, 2020	5,549,290	$ 8.89	7.3	$ 6,624
Exercisable at September 30, 2020	3,061,426	$ 9.30	6.4	$ 3,936

The intrinsic value of stock options exercised during the nine months ended September 30, 2020 and 2019 was $0.5 million and $19,300, respectively.

As of September 30, 2020, there was $12.3 million of total unrecognized compensation cost related to non-vested stock options granted to employees, excluding those stock option grants subject to the achievement of performance milestones, which is expected to be recognized over a weighted-average period of 2.5 years.

Restricted Stock Units

From time to time, upon approval by the Company's board of directors, certain employees have been granted restricted stock units with time-based vesting criteria. The majority of these restricted stock units vest annually over a four-year term with 25% vesting on each anniversary of the grant date. Restricted stock units granted to the Company's executive officers vest in full three-years from the date of grant. The fair value of restricted stock units is calculated based on the closing sale price of the Company's common stock on the date of grant.

A summary of the status of restricted stock units as of December 31, 2019 and September 30, 2020 and changes during the nine months ended September 30, 2020 is presented below:

	Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2019	1,116,358	$ 6.75
Granted	816,300	8.05
Vested	(105,912)	6.88
Forfeited	(132,113)	7.25
Outstanding at September 30, 2020	1,694,633	$ 7.33

As of September 30, 2020, there was $9.0 million of unrecognized stock-based compensation expense related to outstanding restricted stock units, with an expected recognition period of 2.6 years.

Stock-based Compensation Expense

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Weighted-average risk-free interest rate	0.46 %	1.88 %	1.29 %	2.46 %
Expected dividend yield	— %	— %	— %	— %
Expected option term (in years)	5.89	6.08	5.99	6.02
Volatility	79.96 %	89.91 %	78.26 %	91.49 %

The weighted-average grant date fair value per share of options granted in the nine months ended September 30, 2020 and 2019 was $5.29 and $5.10, respectively.

The following table summarizes the stock-based compensation expense for stock options and restricted stock units granted to employees and non-employees recorded in the Company's condensed consolidated statements of operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Research and development	$ 1,229	$ 874	$ 3,459	$ 2,490
General and administrative	1,494	1,515	4,450	4,133
Total stock-based compensation expense	$ 2,723	$ 2,389	$ 7,909	$ 6,623

Due to an operating loss, the Company does not record tax benefits associated with stock-based compensation or option exercises. Tax benefits will be recorded when realized.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and the audited financial information and the notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2019 that we filed with the Securities and Exchange Commission, or SEC, on March 5, 2020, or the 2019 10-K. Our actual results and timing of certain events may differ materially from the results discussed, projected, anticipated, or indicated in any forward-looking statements. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate, may differ materially from the forward-looking statements contained in this Quarterly Report. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate are consistent with the forward-looking statements contained in this Quarterly Report, they may not be predictive of results or developments in future periods.

The following information and any forward-looking statements should also be considered in light of risks identified under the caption "Risk Factors" in the 2019 10-K and in this Quarterly Report on Form 10-Q. We caution you not to place undue reliance on any forward-looking statements made by us, which speak only as of the date they are made. We disclaim any obligation, except as specifically required by law and the rules of the SEC, to publicly update or revise any such statements to reflect any change in our expectations or in events, conditions or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements.

Overview

We are a biopharmaceutical company seeking to redefine the power of small molecules to control the expression of genes. Based on our unique ability to elucidate regulatory regions of the genome, we aim to develop medicines that provide a profound benefit for patients with diseases that have eluded other genomics-based approaches. We are currently focused on developing treatments for cancer and diseases resulting from mutations of a single gene, also known as monogenic diseases, and building a pipeline of gene control medicines.

Our lead product candidates are:

- SY-1425, a selective retinoic acid receptor alpha, or RARα, agonist that is currently being evaluated in combination with azacitidine, a hypomethylating agent frequently used to treat acute myeloid leukemia, or AML, in patients in a Phase 2 clinical trial in a genomically defined subset of patients with AML; and

- SY-5609, a highly selective and potent oral inhibitor of cyclin-dependent kinase 7, or CDK7, that is currently being evaluated in the dose escalation portion of a Phase 1 clinical trial in patients with select advanced solid tumors.

In October 2019, we announced a decision to prioritize the development of SY-5609 and to discontinue further development of SY-1365, our intravenously administered CDK7 inhibitor for which we are conducting a Phase 1 clinical trial in patients with advanced solid tumors.

We also have multiple preclinical and discovery programs in oncology and monogenic diseases such as sickle cell disease and myotonic dystrophy type 1. We expect to nominate our next development candidate to enter investigational new drug application, or IND, enabling preclinical studies by the end of 2021. In December 2019, we entered into a collaboration with Global Blood Therapeutics, Inc., or GBT, to discover, develop and commercialize novel therapies for sickle cell disease and beta thalassemia. We also use our gene control platform in collaboration with third parties to identify and validate targets in diseases beyond our current areas of focus. To this end, we entered into a target discovery, research collaboration and option agreement with Incyte Corporation, or Incyte, in January 2018 under which we are using our platform to identify novel therapeutic targets with a focus on myeloproliferative neoplasms.

Our ongoing Phase 2 clinical trial is assessing the safety and efficacy of SY-1425 in combination with azacitidine in approximately 50 newly diagnosed AML patients who are "unfit," meaning that they are not suitable candidates for standard intensive chemotherapy, who have been identified as either RARA-positive or RARA-negative using our proprietary RARA biomarker. The RARA-negative patients were enrolled to support the development of a commercial companion diagnostic test for SY-1425. In addition, we are evaluating the safety and efficacy of SY-1425 in combination with azacitidine in approximately 25 relapsed or refractory RARA-positive AML patients who are being prospectively

selected using the RARA biomarker. Enrollment in all cohorts of the trial is complete and we continue to follow patients in the trial. We expect to report mature data from the newly diagnosed AML cohorts of the trial, as well as data from the ongoing relapsed or refractory AML cohort of the trial and our future development plans for SY-1425,at the 62nd American Society of Hematology Annual Meeting and Exposition to be held in December 2020 ("ASH 2020").Also at ASH 2020, we plan to present a poster with new data showing that the majority of RARA-positive patients have a disease phenotype that is associated with resistance to upfront treatment with venetoclax

In January 2020, we dosed the first patient in a Phase 1 clinical trial of SY-5609 in patients with select advanced solid tumors, including breast, colorectal, lung, ovarian and pancreatic cancers, and in solid tumors of any histology having retinoblastoma-pathway, or Rb pathway, alterations. The primary objectives of this trial are to assess the safety and tolerability of escalating doses of SY-5609, with the goal of establishing a maximum tolerated dose. Additional objectives include assessments of anti-tumor activity, pharmacokinetics (PK), pharmacodynamics (PD) and potential predictive biomarkers, including Rb pathway alterations. In a future expansion portion of the Phase 1 trial, multiple cohorts are planned to further evaluate the safety and anti-tumor activity of SY-5609 as both a single agent and in combination with other therapies. In this regard, in June 2020, we began enrolling patients in a trial cohort assessing the safety of escalating doses of SY-5609 in combination with fulvestrant in HR-positive/HER2-negative metastatic breast cancer patients who have progressed after treatment with a CDK4/6 inhibitor.

At the 32nd EORTC-NCI-AACR Molecular Targets and Cancer Therapeutics Symposium held in October 2020, or ENA, we reported initial safety, PK, and PD data from the ongoing Phase 1 study of SY-5609. These data demonstrated proof of mechanism and support our ongoing development of SY-5609 for difficult-to-treat cancers. As of an August 21, 2020 data cut-off, 17 patients had been enrolled in the trial and were eligible for safety, PK and PD analysis. Patients were either treated with continuous daily dosing of single-agent SY-5609 at 1, 3, 4 or 5 mg, or for three weeks on and one week off at 3 mg in combination with fulvestrant. The maximum tolerated dose for continuous daily dosing was achieved at 3 mg. The data showed that SY-5609 demonstrated dose-dependent increases in POLR2A mRNA expression, a PD marker being used in the trial to measure CDK7 biological activity. Notably, increases in POLR2A in patients treated at 3 mg daily reached levels associated with tumor regressions in preclinical models, as well as with levels of CDK7 target engagement at which a clinical response and apoptosis were observed in a trial of patients treated with SY-1365. SY-5609 demonstrated approximately dose-proportional PK as both a single agent and in combination, minimal accumulation with repeat dosing, and a steady state half-life compatible with once-daily dosing. The majority of adverse events reported with SY-5609 as a single agent were low grade. The most common adverse events were nausea, diarrhea, fatigue, platelet count decrease, and vomiting. The safety profile of SY-5609 in combination with fulvestrant was consistent with that of single-agent SY-5609. Five of the 13 patients treated with single-agent SY-5609 were response evaluable, and of those, three achieved stable disease and two had progressive disease; one of the four patients treated in the combination cohort was response evaluable and had progressive disease. The Phase 1 trial continues to actively enroll patients with select solid tumors, including an expanded single-agent cohort in lung cancer patients that began in September 2020 and the combination cohort in breast cancer patients, to further evaluate the 3 mg daily dose in focused patient populations. Alternate dosing regimens are also being explored in the trial. We also expect to report additional dose escalation data, including clinical activity data, in mid-2021.

Since our inception in November 2011, we have devoted substantially all of our resources to organizing and staffing our company, business planning, raising capital, developing our technology platform and conducting preclinical research and clinical development for our product candidates. We do not have any products approved for sale and have not generated any revenue from product sales. We have financed our operations to date primarily through the sale of equity securities, license and collaboration agreements, and our term loan with Oxford Finance LLC, or Oxford. From inception through September 30, 2020, we raised an aggregate of $390.7 million from such transactions, including aggregate proceeds of $20.0 million through our draw down on the first tranche of our term loan with Oxford in February 2020 and $12.3 million in proceeds from the sale of common stock under our at-the-market sales facility during the first quarter of 2020.

Since inception, we have incurred significant operating losses. Our net losses were $53.9 million and $55.7 million for the nine months ended September 30, 2020 and 2019, respectively. As of September 30, 2020, we had an accumulated deficit of $346.9 million. We expect to continue to incur significant expenses and operating losses for the foreseeable future. We anticipate that our expenses will increase significantly in connection with our ongoing activities, as we:

- continue our planned clinical development activities with respect to SY-1425 and SY-5609;

- develop and seek approval of companion diagnostic tests for use in identifying patients who may benefit from treatment with our products and product candidates;
- initiate and continue research, preclinical and clinical development efforts for our research and preclinical programs;
- further develop our gene control platform;
- seek to identify and develop additional product candidates;
- acquire or in-license other product candidates or technologies;
- seek regulatory and marketing approvals for our product candidates that successfully complete clinical trials, if any;
- establish sales, marketing, distribution and other commercial infrastructure in the future to commercialize various products for which we may obtain marketing approval, if any;
- require the manufacture of larger quantities of product candidates for clinical development and, potentially, commercialization;
- maintain, expand and protect our intellectual property portfolio;
- hire and retain additional personnel and add operational, financial and management information systems, including personnel and systems to support our product development and commercialization efforts and help us comply with our obligations as a public company; and
- add equipment and physical infrastructure to support our research and development programs.

Financial Operations Overview

Revenue

To date, our only revenue has consisted of collaboration and license revenue and we have not generated any revenue from product sales and do not expect to generate any revenue from product sales for the foreseeable future. For the three months ended September 30, 2020, we recognized $3.8 million of revenue, of which $3.5 million was related to our collaboration with GBT and $0.3 million to our collaboration with Incyte. For the nine months ended September 30, 2020, we recognized $9.4 million of revenue, of which $8.2 million was related to our collaboration with GBT and $1.2 million to our collaboration with Incyte. For the three and nine months ended September 30, 2019, the Company recognized $0.6 million and $1.5 million of revenue, respectively, all of which was attributable to our collaboration with Incyte.

Expenses

Research and Development Expenses

Research and development expenses consist primarily of costs incurred for our research activities, including development of our gene control platform and the development of our product candidates, which include:

- employee-related expenses including salaries and benefits;
- stock-based compensation expense;
- external costs of funding activities performed by third parties that conduct research and development on our behalf and of purchasing supplies used in designing, developing and manufacturing preclinical study and clinical trial materials;
- consulting, licensing and professional fees related to research and development activities; and

- facilities costs, depreciation and amortization and other expenses, which include direct and allocated expenses for rent and maintenance of facilities, insurance and other operating costs.

Research and development costs are expensed as incurred. Nonrefundable advance payments made to vendors for goods or services that will be received in the future for use in research and development activities are deferred and capitalized, even when there is no alternative future use for the research and development, until related goods or services are provided.

We typically use our employee, consultant and infrastructure resources across our research and development programs. We track outsourced development costs by product candidate or development program, but we do not allocate personnel costs, other internal costs or certain external consultant costs to specific product candidates or development programs.

The following table summarizes our external research and development expenses by program, as well as expenses not allocated to programs, for the three and nine months ended September 30, 2020 and 2019 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
SY-1425 external costs (1)	$ 4,049	$ 2,342	$ 9,204	$ 4,157
SY-5609 and other CDK7 program external costs (1)	2,994	5,020	8,483	13,515
Other research and platform program external costs	3,182	2,271	7,962	8,329
Employee-related expenses, including stock-based compensation	5,847	4,673	16,703	14,009
Facilities and other expenses	1,602	1,625	4,687	3,958
Total research and development expenses	$ 17,674	$ 15,931	$ 47,039	$ 43,968

(1) The results for the nine months ended September 30, 2019 include credits of $1.9 million and $1.2 million for our SY-1425 and SY-1365 clinical trials, respectively, due to a change in estimate of costs incurred over the life of these clinical trials through March 31, 2019.

We expect our research and development expenses will increase for the foreseeable future as we seek to advance our programs. At this time, we cannot reasonably estimate or know the nature, timing and estimated costs of the efforts that will be necessary to complete the development of our product candidates. We are also unable to predict when, if ever, material net cash inflows will commence from sales of our product candidates. This is due to the numerous risks and uncertainties associated with developing such product candidates, including the uncertainty of:

- successful completion of preclinical studies, including activities related to preparation of an IND and minimally efficacious dose studies in animals, where applicable and required, under the requirements of the U.S. Food and Drug Administration, or FDA, or another regulatory authority;
- approval of INDs for our product candidates to commence planned or future clinical trials;
- successful enrollment in, and completion of, clinical trials;
- successful data from our clinical programs that support an acceptable benefit-risk profile of our product candidates in the intended populations;
- successful development, and subsequent clearance or approval, of companion diagnostic tests for use in identifying potential patients;
- receipt of regulatory approvals from applicable regulatory authorities;

- establishment of arrangements with third-party manufacturers for clinical supply and commercial manufacturing and, where applicable, commercial manufacturing capabilities;
- establishment and maintenance of patent and trade secret protection or regulatory exclusivity for our product candidates;
- commercial launch of our product candidates, if and when approved, whether alone or in collaboration with others;
- enforcement and defense of intellectual property rights and claims;
- maintenance of a continued acceptable safety profile of the product candidates following approval;
- retention of key research and development personnel; and
- the impact of the COVID-19 pandemic.

Any changes in the outcome of any of these variables with respect to the development of our product candidates in preclinical and clinical development could mean a significant change in the costs and timing associated with the development of these product candidates. For example, if the FDA or another regulatory authority were to delay our planned start of clinical trials or require us to conduct clinical trials or other testing beyond those that we currently expect or if we experience significant delays in enrollment in any of our planned clinical trials, we could be required to expend significant additional financial resources and time on the completion of clinical development of our product candidates.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and other related costs, including stock-based compensation, for personnel in executive, finance and administrative functions. Other significant costs include corporate facility costs not otherwise included in research and development expenses, legal fees related to patent and corporate matters, and fees for accounting and consulting services.

We anticipate that our general and administrative expenses will increase in the future as we increase our headcount to support our continued research activities and development of our product candidates.

Other (Expense) Income, Net

Other (expense) income, net, consists of interest expense related to the Oxford term loan and equipment financing lease arrangements, net of interest income on our cash and cash equivalents and interest and amortization of premiums and discounts on our investments in marketable securities.

Critical Accounting Policies and Estimates

Our management's discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP. The preparation of these financial statements requires us to make judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in our financial statements. We base our estimates on historical experience, known trends and events and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. On an ongoing basis, we evaluate our judgments and estimates in light of changes in circumstances, facts and experience. The effects of material revisions in estimates, if any, will be reflected in the financial statements prospectively from the date of the change in estimates.

We believe that our most critical accounting policies are those relating to revenue recognition, accrued research and development expenses and stock-based compensation. There have been no significant changes to our critical accounting policies discussed in our Annual Report on Form 10-K for the year ended December 31, 2019 that we filed with the SEC on March 5, 2020.

Results of Operations

Comparison of three months ended September 30, 2020 and 2019

The following table summarizes our results of operations for the three months ended September 30, 2020 and 2019, together with the changes in those items in dollars (in thousands):

	Three Months Ended September 30,			
	2020	2019	Dollar Change	% Change
Statements of Operations Data:				
Revenue	$ 3,828	$ 558	$ 3,270	586 %
Operating expenses:				
Research and development	17,674	15,931	1,743	11 %
General and administrative	5,151	5,016	135	3 %
Total operating expenses	22,825	20,947	1,878	9 %
Other (expense) income, net	(489)	596	(1,085)	(182) %
Net loss	$ (19,486)	$ (19,793)	$ (307)	(2) %

Revenue

For the three months ended September 30, 2020, revenue was $3.8 million, of which $3.5 million was attributable to our collaboration with GBT and $0.3 million was attributable to our collaboration with Incyte. For the three months ended September 30, 2019, revenue was $0.6 million, all of which was attributable to our collaboration with Incyte.

Research and Development Expense

Research and development expense increased by approximately $1.7 million, or 11%, from $15.9 million for the three months ended September 30, 2019 to $17.7 million for the three months ended September 30, 2020. The following table summarizes our research and development expenses for the three months ended September 30, 2020 and 2019, together with the changes to those items in dollars (in thousands):

	Three Months Ended September 30,			
	2020	2019	Dollar Change	% Change
External research and development	$ 9,333	$ 8,710	$ 623	7 %
Employee-related expenses, excluding stock-based compensation	4,618	3,798	820	22 %
Stock-based compensation	1,229	875	354	40 %
Consulting, licensing and professional fees	892	923	(31)	(3) %
Facilities and other expenses	1,602	1,625	(23)	(1) %
Total research and development expenses	$ 17,674	$ 15,931	$ 1,743	11 %

The change in research and development expense was primarily attributable to activities associated with advancing our clinical and preclinical programs as well as enhancing our internal capabilities, including the following:

- an increase of approximately $0.6 million, or 7%, for external research and development costs, primarily due toincreases in costs associated with the continued advancement of our existing clinical trials of SY-5609 and SY-1425 and advancement of our preclinical programs, including our sickle cell disease development activities in collaboration with GBT;
- an increase of approximately $0.8 million, or 22%, for employee-related expenses, including increased salary and benefits, primarily due to our increased headcount; and

- an increase of approximately $0.4 million, or 40%, for stock-based compensation expense, also primarily due to our increased headcount.

General and Administrative Expense

General and administrative expense increased by approximately $0.1 million, or 3%, from $5.0 million for the three months ended September 30, 2019 to $5.2 million for the three months ended September 30, 2020. The change in general and administrative expense was primarily attributable to slight increases in patent and accounting fees.

Other (Expense) Income, Net

Other (expense) income, net, consists of interest expense related to the Oxford term loan and equipment financing arrangements, net of interest income on our cash and cash equivalents and interest and amortization of premiums and discounts on marketable securities. The change in other (expense) income, net from the three months ended September 30, 2019 as compared to the three months ended September 30, 2020 is primarily due to the Oxford term loan executed in February 2020, and the related interest expense incurred during the three months ended September 30, 2020.

Comparison of nine months ended September 30, 2020 and 2019

The following table summarizes our results of operations for the nine months ended September 30, 2020 and 2019, together with the changes in those items in dollars (in thousands):

	Nine Months Ended September 30,			
	2020	2019	Dollar Change	% Change
Statements of Operations Data:				
Revenue	$ 9,394	$ 1,474	$ 7,920	537 %
Operating expenses:				
Research and development	47,039	43,968	3,071	7 %
General and administrative	15,433	15,077	356	2 %
Total operating expenses	62,472	59,045	3,427	6 %
Other (expense) income, net	(830)	1,862	(2,692)	(145) %
Net loss	$ (53,908)	$ (55,709)	$ (1,801)	(3) %

Revenue

For the nine months ended September 30, 2020, revenue was $9.4 million of which $8.2 million was attributable to our collaboration with GBT and $1.2 million was attributable to our collaboration with Incyte. For the nine months ended September 30, 2019, revenue was $1.5 million, all of which was attributable to our collaboration with Incyte.

Research and Development Expense

Research and development expense increased by approximately $3.1 million, or 7%, from $44.0 million for the nine months ended September 30, 2019 to $47.0 million for the nine months ended September 30, 2020. The following table summarizes our research and development expenses for the nine months ended September 30, 2020 and 2019, together with the changes to those items in dollars (in thousands):

	Nine Months Ended September 30,			
	2020	2019	Dollar Change	% Change
External research and development	$ 23,074	$ 23,302	$ (228)	(1) %
Employee-related expenses, excluding stock-based compensation	13,244	11,520	1,724	15 %
Stock-based compensation	3,459	2,490	969	39 %
Consulting, licensing and professional fees	2,575	2,699	(124)	(5) %
Facilities and other expenses	4,687	3,957	730	18 %
Total research and development expenses	$ 47,039	$ 43,968	$ 3,071	7 %

The change in research and development expense was primarily attributable to activities associated with advancing our clinical and preclinical programs as well as enhancing our internal capabilities, including the following:

- a decrease of approximately $0.2 million, or 1%, for external research and development costs, primarily due to decreases in costs associated with the SY-1365 program following our October 2019 decision to prioritize our CDK7 development activities on our SY-5609 program;
- an increase of approximately $1.7 million, or 15%, for employee-related expenses, including increased salary and benefits, primarily due to our increased headcount;
- an increase of approximately $1.0 million, or 39%, for stock-based compensation expense, also primarily due to our increased headcount; and
- an increase of approximately $0.7 million, or 18%, in facilities and other expenses primarily due to the rent expense related to the lease for our new headquarters, over which we took possession for accounting purposes in May 2019, and depreciation related to the build-out of our new corporate headquarters.

General and Administrative Expense

General and administrative expense increased by approximately $0.4 million, or 2%, from $15.1 million for the nine months ended September 30, 2019 to $15.4 million for the nine months ended September 30, 2020. The change in general and administrative expense was primarily attributable to an increase in employee-related costs, including salary, benefits and stock-based compensation due to our increased headcount.

Other (Expense) Income, Net

Other (expense) income, net, consists of interest expense related to the Oxford term loan and equipment financing arrangements, net of interest income on our cash and cash equivalents and interest and amortization of premiums and discounts on marketable securities. The change in other (expense) income, net from the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2020 is due to the Oxford term loan executed in February 2020, and the related interest expense incurred during the nine months ended September 30, 2019.

Liquidity and Capital Resources

Sources of Liquidity

We funded our operations from inception through September 30, 2020, primarily through the sale of equity securities, through license and collaboration agreements, including those with Incyte and GBT, and through the Oxford term loan.

On June 12, 2020, we filed a universal shelf registration statement on Form S-3 with the SEC to register for sale from time to time up to $300.0 million of common stock, preferred stock, debt securities, warrants and/or units in one or more registered offerings. The registration statement was declared effective on June 22, 2020. Further, in June 2020, we entered into an at-the-market sales agreement, or the 2020 sales agreement, with Cowen & Co., or Cowen, pursuant to which we may offer and sell shares of our common stock having an aggregate offering price of up to $75.0 million through Cowen pursuant to the registration statement.

Upon entry into the 2020 sales agreement, we terminated our prior at-the-market sales facility pursuant to the original sales agreement with Cowen, dated July 20, 2017, or the 2017 sales agreement. During the nine months ended September 30, 2020, we issued $12.3 million in common stock under the 2017 sales agreement.

As of September 30, 2020, $75.0 million in common stock remained available for future issuance under the 2020 sales agreement.

As of September 30, 2020, $300.0 million of securities remained available for future issuance under the shelf registration statement.

As of September 30, 2020, we had cash and cash equivalents of approximately $93.1 million.

Cash Flows

The following table provides information regarding our cash flows for the nine months ended September 30, 2020 and 2019 (in thousands):

	Nine Months Ended September 30,	
	2020	2019
Net cash (used in) provided by:		
Operating activities	$ (27,440)	$ (49,650)
Investing activities	46,693	(28,687)
Financing activities	32,149	64,901
Net increase (decrease) in cash, cash equivalents and restricted cash	$ 51,402	$ (13,436)

Net Cash Used in Operating Activities

The use of cash in the nine months ended September 30, 2020 and 2019 resulted primarily from our net losses adjusted for non-cash charges and changes in components of working capital.

Net cash used in operating activities was $27.4 million during the nine months ended September 30, 2020 compared to net cash used in operation activities of $49.7 million for the nine months ended September 30, 2019. The decrease in net cash used in operating activities was primarily due to the $20.0 million proceeds received in January 2020 from our collaboration agreement with GBT that was entered into in December 2019, as well as $3.8 million of cost reimbursement collected from GBT pursuant to the collaboration agreement, $0.5 million of additional consideration collected from the Incyte collaboration, and $2.0 million received as tenant improvement incentive for the buildout of our offices, each of which were received during the nine months ended September 30, 2020.

Net Cash Provided by (Used in) Investing Activities

Net cash provided by investing activities was $46.7 million during the nine months ended September 30, 2020 compared to net cash used in investing activities of $28.7 million during the nine months ended September 30, 2019. The increase in cash provided by investing activities was primarily due to maturities of marketable securities of $50.0 million during the nine months ended September 30, 2020 as compared to net purchases of marketable securities of $24.2 million during the nine months ended September 30, 2019, and due to the $3.3 million of property and equipment purchased in the nine months ended September 30, 2020 as compared to $4.5 million during the nine months ended September 30, 2019.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was $32.1 million during the nine months ended September 30, 2020 compared to net cash provided by financing activities of $64.9 million for the nine months ended September 30, 2019. Cash provided by financing activities for the nine months ended September 30, 2020 was primarily due to net proceeds of $19.7 million received from our term loan with Oxford, net proceeds of $11.9 million through the issuance of common stock pursuant to the 2017 sales agreement, $0.5 million in proceeds from exercise of stock options and $0.2 million in proceeds from the issuance of shares through the employee stock purchase plan, offset by $0.2 million of payments made under our capital lease obligations. Cash provided by financing activities for the nine months ended September 30, 2019 was primarily due to $65.0 million in net proceeds raised through two concurrent public offerings of equity securities that closed in April 2019.

Funding Requirements

We expect our expenses to increase in connection with our ongoing activities, particularly as we seek to continue clinical trials of SY-1425 and SY-5609, advance additional product candidates through research and preclinical development and into clinical trials, seek to develop companion diagnostic tests for use with our product candidates, initiate new research and preclinical development projects and seek marketing approval for any product candidates that we successfully develop. In addition, if we obtain marketing approval for any of our product candidates, we expect to incur significant commercialization expenses related to establishing sales, marketing, distribution and other commercial

infrastructure to commercialize such products. We will need to obtain substantial additional funding in connection with our continuing operations. If we are unable to raise capital when needed or on favorable terms, we would be forced to delay, reduce, eliminate, or out-license our research and development programs or future commercialization rights to our product candidates.

We believe that our cash and cash equivalents as of September 30, 2020, will enable us to fund our planned operating expense and capital expenditure requirements into 2022. Our future funding requirements, both short-term and long-term, will depend on many factors, including:

- the scope, progress, timing, costs and results of clinical trials of SY-1425 and SY-5609 and any associated companion diagnostic tests;
- research and preclinical development efforts for any future product candidates that we may develop;
- the number of future product candidates that we pursue and their development requirements;
- our ability to enter into, and the terms and timing of, any collaborations, licensing agreements or other arrangements;
- whether a drug candidate will be nominated to enter investigational new drug application-enabling studies under our sickle cell disease collaboration with GBT, whether GBT will exercise its option to exclusively license intellectual property arising from the collaboration, whether and when any option exercise fees, milestone payments or royalties under the collaboration agreement with GBT will ever be paid, and whether we exercise our U.S. co-promotion option under the GBT agreement;
- whether our target discovery collaboration with Incyte will yield any validated targets, whether Incyte will exercise any of its options to exclusively license intellectual property directed to such targets, and whether and when any of the target validation fees, option exercise fees, milestone payments or royalties under the collaboration agreement with Incyte will ever be paid;
- the outcome, timing and costs of seeking regulatory approvals;
- the costs of commercialization activities for any of our product candidates that receive marketing approval to the extent such costs are not the responsibility of any future collaborators, including the costs and timing of establishing product sales, marketing, distribution and manufacturing capabilities;
- the costs of acquiring potential new product candidates or technology;
- the costs of any physician education programs relating to selecting and treating genomically defined patient populations;
- the timing and amount of milestone and other payments due to licensors for patent and technology rights used in our gene control platform or to TMRC Co. Ltd., or TMRC, associated with the development, manufacture and commercialization of SY-1425;
- revenue received from commercial sales, if any, of our current and future product candidates;
- our headcount growth and associated costs as we advance our research and development programs and establish a commercial infrastructure;
- the costs of preparing, filing and prosecuting patent applications, maintaining and protecting our intellectual property rights and defending against intellectual property related claims; and
- the impact of the COVID-19 pandemic.

Identifying potential product candidates and conducting preclinical studies and clinical trials is a time-consuming, expensive and uncertain process that takes many years to complete, and we may never generate the necessary data or results required to obtain marketing approval and achieve product sales. In addition, our product

candidates, if approved, may not achieve commercial success. Accordingly, we will need to continue to rely on additional financing to achieve our business objectives. Adequate additional financing may not be available to us on acceptable terms, or at all.

Until such time, if ever, as we can generate substantial product revenues, we expect to finance our cash needs through a combination of equity offerings, debt financings, collaborations, strategic alliances and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interests of our common stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our common stockholders. Debt financing, such as our term loan with Oxford, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. In addition, the trading prices for our common stock has been and may continue to be highly volatile, and this volatility may be exacerbated by the COVID-19 pandemic. As a result, we may face difficulties raising capital when needed through sales of our common stock or such sales may be on unfavorable terms.

If we raise funds through additional collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or to grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

Off-Balance Sheet Arrangements

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk related to changes in interest rates. Our primary exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates, particularly because our investments, including cash equivalents, are in the form of money market funds and marketable securities and are invested in U.S. treasury or government obligations. However, because of the short-term nature of the duration of our portfolio and the low-risk profile of our investments, we believe an immediate 10% change in market interest rates would not be expected to have a material impact on the fair market value of our investment portfolio or on our financial condition or results of operations.

We are also exposed to market risk related to changes in foreign currency exchange rates. We contract with vendors that are located in Asia and Europe and certain invoices are denominated in foreign currencies. We are subject to fluctuations in foreign currency rates in connection with these arrangements. We do not currently hedge our foreign currency exchange rate risk. As of September 30, 2020, we did not have significant liabilities denominated in foreign currencies.

Inflation generally affects us by increasing our cost of labor and clinical trial costs. We do not believe that inflation had a material effect on our business, financial condition or results of operations during the nine-month periods ended September 30, 2020 and 2019.

Item 4. Controls and Procedures

Management's Evaluation of our Disclosure Controls and Procedures

We maintain "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (2) accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and our management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their control objectives.

Our management, with the participation of our Chief Executive Officer, who serves as our Principal Executive Officer, and our Chief Financial Officer, who serves as our Principal Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2020, the end of the period covered by this Quarterly Report on Form 10-Q. Based upon such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of such date.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1A. Risk Factors.

The following information updates, and should be read in conjunction with, the risk factors discussed in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019, or the 2019 10-K. Any of the risk factors contained in this Quarterly Report on Form 10-Q and the 2019 10-K could materially affect our business, financial condition or future results, and such risk factors may not be the only risks we face. The COVID-19 pandemic has heightened, and in some cases manifested, certain of the risks we normally face in operating our business, including those disclosed in the 2019 10-K, and the risk factor disclosure in the 2019 10-K is qualified by the information relating to COVID-19 that is described in this Quarterly Report on Form 10-Q, including the risk factor set forth below. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

Risks Related to the COVID-19 Pandemic

Public health epidemics or outbreaks, including COVID-19, have had, and will continue to have, an adverse impact our business.

Public health crises such as pandemics or similar outbreaks could adversely impact our business. The novel strain of a virus named SARS-CoV-2 (severe acute respiratory syndrome coronavirus 2), or coronavirus, which causes coronavirus disease 2019, or COVID-19, has caused a pandemic that has reached multiple regions and countries, including Cambridge, Massachusetts where our primary office and laboratory space is located. The COVID-19 pandemic is evolving, and to date has led to the implementation of various responses, including government-imposed quarantines, travel restrictions and other public health safety measures, as well as reported adverse impacts on healthcare resources, facilities and providers, in Massachusetts, across the United States and in other countries. The extent to which COVID-19 impacts our operations or those of the third parties on which we rely will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, additional or modified government actions, new information that will emerge concerning the severity and impact of COVID-19, and the actions to contain COVID-19 or address its impact in the short and long term.

Further, in response to the COVID-19 pandemic and in accordance with direction from state and local governmental authorities, we have restricted access to our facility to those individuals who perform research, translational medicine, and laboratory support activities that must be completed on site, limited the number of such people that can be present at our facility at any one time, and implemented a number of additional health and safety protocols to which our laboratory-based employees must adhere. In the event that governmental authorities were to impose new restrictions, our employees conducting research and development activities may not be able to access our laboratory space, and our core research activities may be significantly limited or curtailed, possibly for an extended period of time. Sustained restrictions on our ability to conduct research would have an adverse impact on our ability to perform under our collaboration agreements with Global Blood Therapeutics, Inc. and Incyte Corporation, as well as delay the time in which we would be able to nominate new drug candidates for clinical development.

Our office-based employees are required to work remotely, and it is possible that these employees will continue to do so until there is an effective COVID-19 vaccine. We cannot predict whether or when any such vaccine will be available. It is possible that our employees' productivity and morale may be adversely impacted by remote work, particularly for our employees with challenging working conditions at home, including those who have significant family obligations, who do not have dedicated office space in their homes, or who require access to materials and office equipment to be most efficient.

To date, enrollment in our ongoing clinical trials of SY-1425 and SY-5609 has not been adversely impacted by the COVID-19 pandemic, and we believe that we have sufficient supply of clinical trial material to conduct our ongoing clinical trial activities. We are implementing contingency plans to ensure that continues to be the case should the pandemic persist into 2021. We cannot provide assurance, however, that some factors from the COVID-19 pandemic will not delay or otherwise adversely affect our clinical development, research, manufacturing and business operations activities, as well as our business generally, in the future. These factors include:

- the impact on our clinical trial operations of any diversion of healthcare resources away from the conduct of our clinical trials in order to focus on pandemic concerns, including the availability of necessary materials, the attention of physicians serving as our clinical trial investigators, access to hospitals serving as our clinical trial sites, and availability of hospital staff supporting the conduct of our clinical trials;
- the impact on our clinical trials if we are unable to continue remote monitoring of clinical trial data or utilizing telehealth systems, local laboratory assessments and in-home nursing visits for enrolled patients,

or if any patient enrolled in one of our clinical trials is unable to remain on study due to a COVID-19 diagnosis;

- potential interruptions in global shipping affecting the transport of clinical trial materials, such as investigational drug product, patient samples, and other supplies used in our clinical trials;

- the impact of further limitations on travel that could interrupt key clinical trial activities, such as clinical trial site initiations and monitoring activities, travel by our employees, contractors or patients to clinical trial sites, or the ability of employees at any of our contract manufacturers or contract research organizations to report to work, any of which could delay or adversely impact the conduct or progress of our clinical trials and other research and manufacturing activities, and limit the amount of clinical data we will be able to report at the end of this year;

- any future interruption of, or delays in receiving, supplies of clinical trial material from our contract manufacturing organizations due to staffing shortages, production slowdowns or stoppages, or disruptions in delivery systems;

- availability of future capacity at our contract manufacturers to produce sufficient drug substance and drug product to meet forecasted clinical trial demand if any of these manufacturers elect or are required to divert attention or resources to the manufacture of other pharmaceutical products;

- delays in ongoing laboratory experiments and operations if we are required to further reduce the number of employees in our laboratories, or if the contract research organizations we have retained to supplement our internal research efforts are unable to perform as anticipated, whether due to capacity constraints, staffing shortages, or otherwise; and

- business disruptions caused by potential workplace closures and an increased reliance on employees working from home, challenges in recruiting employees required to execute on our research and development plans, cybersecurity and data accessibility issues, and communication or transit disruptions, any of which could adversely impact our business operations and delay necessary interactions among our employees and between our company and the third parties upon which we rely.

These and other factors arising from COVID-19 could worsen, which would further adversely impact our ability to conduct clinical trials, engage in research and manufacturing activities, meet our obligations to our collaboration partners, and maintain our business operations, and would have a material adverse impact on our operations and financial condition and results.

In addition, the trading prices for our common stock and for other biopharmaceutical companies have been highly volatile as a result of the COVID-19 pandemic. As a result, we may face difficulties raising capital when needed through sales of our common stock or such sales may be on unfavorable terms.

The COVID-19 outbreak continues to rapidly evolve. While we expect the impacts of COVID-19 will have an adverse effect on our business, the extent of the impact on our clinical trials, research and manufacturing activities, collaborations, and business will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the duration of the outbreak, travel restrictions and other actions to contain the outbreak or address its impact, such as social distancing and quarantines or lock-downs in the United States and other countries, business closures or business disruptions and the effectiveness of actions taken in the United States and other countries to contain and address the disease.

Risks Related to the Discovery, Development and Commercialization of Product Candidates

We face substantial competition, which may result in others discovering, developing or commercializing products before or more successfully than we do.

We expect that we, and any future collaborators, will face significant competition from major pharmaceutical companies, specialty pharmaceutical companies and biotechnology companies worldwide with respect to any of our product candidates that we, or any future collaborators, may seek to develop or commercialize in the future. Specifically, there are a number of large pharmaceutical and biotechnology companies that currently market and sell products or are pursuing the development of product candidates for the treatment of the key indications of our most advanced programs. For example, we are aware of several new drugs approved by the FDA since 2018 for the treatment of AML or patient subsets within AML, including ivosidenib, venetoclax, glasdegib and gilteritinib. SY-1425 may also face competition from other investigational products currently in clinical development for AML and MDS, including investigational products in late-stage development from Takeda Pharmaceutical Co. Ltd., Daiichi Sankyo Company, Limited, Agios Pharmaceuticals, Inc., Otsuka Pharmaceutical Co., Ltd., Roche Holding AG, Actinium Pharmaceuticals, Inc., GlycoMimetics, Inc., Arog Pharmaceuticals, Inc., Rafael Pharmaceuticals, Inc., argenx SE in collaboration with Janssen Pharmaceutica NV, Gilead Sciences, Inc., Geron Corporation, Delta-Fly Pharma, Inc., Aprea Therapeutics, Inc., SELLAS Life Sciences Group, Inc., Onconova Therapeutics, Inc., Novartis AG and Bristol-Myers Squibb Co. In addition, we are aware of selective CDK7 inhibitors being developed in early clinical trials by Carrick Therapeutics Ltd. and Eli Lilly & Co. and several other selective CDK7 inhibitor programs that we believe are in preclinical development, including programs from Aurigene Discovery Technologies Ltd. in collaboration with Exelixis, Inc., Qurient Co. Ltd., and Yungjin Pharma Co., Ltd. SY-5609 may face competition from these CDK7 inhibitors. There is also significant competition from products with mechanisms other than CDK7 inhibition in the disease areas where we may choose to focus development of SY-5609 in the future. Our competitors may succeed in developing, acquiring or licensing technologies and products that are more effective, have fewer side effects or more tolerable side effects or are less costly than any product candidates that we are currently developing or that we may develop, which could render our product candidates obsolete and noncompetitive.

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize products that are safer or more effective, have fewer or less severe side effects, are more convenient or are less expensive than any products that we, or any future collaborators, may develop. For example, the evolving standard of care for the treatment of patients with AML and the response rates and duration of response seen with approved and investigational agents in this disease may result in a longer and more complex clinical development path for SY-1425, which in turn will impact the potential return on investments in clinical trials of SY-1425. Our competitors also may obtain FDA or other marketing approval for their products before we, or any future collaborators, are able to obtain approval for ours, which could result in our competitors establishing a strong market position before we, or any future collaborators, are able to enter the market.

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

Item 6. Exhibits.

Exhibit No.	Description of Exhibit
3.1	Restated Certificate of Incorporation of the Registrant, including the Certificate of Designation of Preferences, Rights and Limitation of Series A Convertible Preferred Stock of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 (File No. 001-37813) filed on May 1, 2019).
3.2	Amended and Restated By-Laws of the Registrant (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K (File No. 001-37813) filed on July 6, 2016).
4.1	Form of Class A Warrant (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 001-37813) filed on April 8, 2019).
31.1	Certification of principal executive officer pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
31.2	Certification of principal financial officer pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
32.1	Certification of principal executive officer pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code.
32.2	Certification of principal financial officer pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code.
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document
104	Cover Page Interactive Data (formatted as Inline XBRL and contained in Exhibit 101)

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.

Syros Pharmaceuticals, Inc.

Date: November 5, 2020

By: /s/ Joseph J. Ferra Jr.
Joseph J. Ferra Jr.
Chief Financial Officer (Principal Financial Officer)

Exhibit 31.1

Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Nancy Simonian, certify that:

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

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

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

4. The registrant's other certifying officer 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.

Syros Pharmaceuticals, Inc.

/s/ Nancy Simonian, M.D.

Nancy Simonian, M.D.
President and Chief Executive Officer
(Principal Executive Officer)

Dated: November 5, 2020

Exhibit 31.2

Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Joseph J. Ferra, Jr., certify that:

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

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

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

4. The registrant's other certifying officer 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.

Syros Pharmaceuticals, Inc.

/s/ Joseph J. Ferra, Jr.

Joseph J. Ferra, Jr.
Chief Financial Officer
(Principal Financial Officer)

Dated: November 5, 2020

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Syros Pharmaceuticals, Inc. (the "Company") for the quarter ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Nancy Simonian, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of her knowledge:

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

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

Dated: November 5, 2020

/s/ Nancy Simonian, M.D.

Nancy Simonian, M.D.
President and Chief Executive Officer
(Principal Executive Officer)

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.

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q of Syros Pharmaceuticals, Inc. (the "Company") for the quarter ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Joseph J. Ferra, Jr., Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

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

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

Dated: November 5, 2020

/s/ Joseph J. Ferra, Jr.

Joseph J. Ferra, Jr.
Chief Financial Officer
(Principal Financial Officer)

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.