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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2025

OR

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

For the transition period from to

Commission File Number: 000-30319

INNOVIVA, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**94-3265960**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

1350 Old Bayshore Highway Suite 400
Burlingame, CA 94010
(Address of Principal Executive Offices)

(650) 238-9600
(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, par value $0.01 per share	INVA	The Nasdaq Stock Market LLC

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 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 Act). Yes ☐ No ☒

The number of shares of registrant's common stock outstanding on July 31, 2025 was 63,021,014.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

INNOVIVA, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	June 30, 2025 (Unaudited)	December 31, 2024 *
Assets		
Current assets:		
Cash and cash equivalents	$ 397,532	$ 304,964
Accounts receivable	20,925	20,392
Receivables from collaboration arrangement	67,336	65,974
Inventory	48,996	33,725
Prepaid expenses	16,610	21,063
Current portion of ISP Fund investments (Note 5)	100,198	107,532
Other current assets	181	656
Total current assets	651,778	554,306
Property and equipment, net	451	514
Equity method investments	51,826	52,293
Equity and long-term investments	297,284	341,664
Capitalized fees paid, net	63,049	69,961
Right-of-use assets	1,759	2,453
Goodwill	17,905	17,905
Intangible assets	195,411	208,433
Deferred tax assets, net	12,931	12,054
Other assets	41,178	41,477
Total assets	$ 1,333,572	$ 1,301,060
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 5,382	$ 2,132
Accrued personnel-related expenses	4,750	7,376
Accrued interest payable	3,418	3,422
Deferred revenue	3,125	1,126
Convertible subordinated notes due 2025, net of issuance costs	191,903	192,028
Other accrued liabilities	37,985	29,999
Total current liabilities	246,563	236,083
Long-term debt, net of discount and issuance costs	257,019	256,316
Other long-term liabilities	60,021	64,275
Income tax payable, long-term	55,148	53,227
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock: $0.01 par value, 230 shares authorized, no shares issued and outstanding	—	—
Common stock: $0.01 par value, 200,000 shares authorized, 63,011 and 62,665 issued and outstanding as of June 30, 2025 and December 31, 2024, respectively	630	627
Additional paid-in capital	698,884	692,329
Retained earnings (accumulated deficit)	15,307	(1,797)
Total stockholders' equity	714,821	691,159
Total liabilities and stockholders' equity	$ 1,333,572	$ 1,301,060

*Condensed consolidated balance sheet has been derived from audited consolidated financial statements as of December 31, 2024.

See accompanying notes to condensed consolidated financial statements.

INNOVIVA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(In thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Revenue:				
Royalty revenue, net of amortization of capitalized fees paid of $3,456 in the three months ended June 30, 2025 and 2024, and $6,912 in the six months ended June 30, 2025 and 2024	$ 63,880	$ 63,742	$ 121,687	$ 122,157
Net product sales	35,493	21,651	65,772	40,735
License and other revenue	910	14,505	1,456	14,505
Total revenue	100,283	99,898	188,915	177,397
Cost of products sold (inclusive of amortization of inventory fair value adjustments)	10,590	8,472	19,432	19,443
Amortization of acquired intangible assets	6,547	6,440	13,022	12,880
Gross profit	83,146	84,986	156,461	145,074
Operating expenses:				
Selling, general and administrative	26,412	27,740	53,903	58,145
Research and development	7,983	2,560	12,379	6,438
Total operating expenses	34,395	30,300	66,282	64,583
Income from operations	48,751	54,686	90,179	80,491
Changes in fair values of equity method investments, net	13,082	(60,108)	(467)	(24,766)
Changes in fair values of equity and long-term investments, net	11,280	(30,556)	(54,019)	(43,891)
Interest and dividend income	4,925	3,474	9,463	7,873
Interest expense	(4,663)	(5,802)	(9,374)	(11,653)
Other expense, net	(777)	(973)	(1,773)	(2,209)
Income (loss) before income taxes	72,598	(39,279)	34,009	5,845
Income tax benefit (expense), net	(8,910)	4,594	(16,905)	(3,998)
Net income (loss) and comprehensive income (loss)	$ 63,688	$ (34,685)	$ 17,104	$ 1,847
Net income (loss) per share:				
Basic	$ 1.01	$ (0.55)	$ 0.27	$ 0.03
Diluted	$ 0.77	$ (0.55)	$ 0.24	$ 0.03
Shares used to compute net income (loss) per share:				
Basic	62,865	62,526	62,787	62,856
Diluted	84,452	62,526	84,342	63,064

See accompanying notes to condensed consolidated financial statements.

INNOVIVA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)
(Unaudited)

	Six Months Ended June 30, 2025				
	Common Stock		Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity
	Shares	Amount			
Balance as of January 1, 2025	62,665	$ 627	$ 692,329	$ (1,797)	$ 691,159
Exercise of stock options and issuance of common stock units and stock awards, net of repurchase of shares to satisfy tax withholding	106	1	182	—	183
Stock-based compensation	—	—	2,147	—	2,147
Net loss	—	—	—	(46,584)	(46,584)
Balance as of March 31, 2025	62,771	628	694,658	(48,381)	646,905
Exercise of stock options and issuance of common stock units and stock awards, net of repurchase of shares to satisfy tax withholding	211	2	1,245	—	1,247
Accrued excise tax on common stock repurchase applied against tax liability	—	—	59	—	59
Stock-based compensation	—	—	2,422	—	2,422
Conversion of 2025 Notes to common stock	29	—	500	—	500
Net income	—	—	—	63,688	63,688
Balance as of June 30, 2025	63,011	$ 630	$ 698,884	$ 15,307	$ 714,821

	Six Months Ended June 30, 2024						
	Common Stock		Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Treasury Stock		Total Stockholders' Equity
	Shares	Amount			Shares	Amount	
Balance as of January 1, 2024	63,307	$ 633	$ 1,093,340	$ (25,189)	32,005	$ (393,829)	$ 674,955
Issuance of common stock units and stock awards, net of repurchase of shares to satisfy tax withholding	124	1	403	—	—	—	404
Repurchase of common stock	(634)	(6)	(9,659)	—	—	—	(9,665)
Stock-based compensation	—	—	1,455	—	—	—	1,455
Net income	—	—	—	36,532	—	—	36,532
Balance as of March 31, 2024	62,797	628	1,085,539	11,343	32,005	(393,829)	703,681
Exercise of stock options and issuance of common stock units and stock awards, net of repurchase of shares to satisfy tax withholding	118	1	135	—	—	—	136
Repurchase of common stock	(353)	(3)	(5,257)	—	—	—	(5,260)
Retirement of treasury stock	—	—	(393,829)	—	(32,005)	393,829	—
Stock-based compensation	—	—	1,643	—	—	—	1,643
Net loss	—	—	—	(34,685)	—	—	(34,685)
Balance as of June 30, 2024	62,562	$ 626	$ 688,231	$ (23,342)	—	$ —	$ 665,515

See accompanying notes to condensed consolidated financial statements.

INNOVIVA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2025	2024
Cash flows from operating activities		
Net income	$ 17,104	$ 1,847
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	(877)	(12,009)
Amortization of capitalized fees and depreciation of property and equipment	6,976	6,986
Amortization of acquired intangible assets	13,022	12,880
Inventory fair value step-up adjustment included in cost of products sold	625	10,306
Stock-based compensation	4,569	3,098
Amortization of debt discount and issuance costs	1,078	1,048
Changes in fair values of equity method investments, net	467	24,766
Changes in fair values of equity and long-term investments, net	54,019	43,891
Other non-cash items	423	(153)
Changes in operating assets and liabilities:		
Accounts receivable	(533)	(12,328)
Receivables from collaboration arrangement	(1,362)	2,423
Inventory	(17,146)	(6,233)
Prepaid expenses	4,453	13,146
Other assets	774	1,604
Accounts payable	3,250	(4,678)
Accrued personnel-related expenses and other accrued liabilities	1,932	(5,950)
Accrued interest payable	(4)	—
Income tax payable	1,921	543
Deferred revenue	1,999	(422)
Net cash provided by operating activities	92,690	80,765
Cash flows from investing activities		
Purchases of trading securities	(34,674)	(43,136)
Proceeds from trading securities	5,097	—
Purchases of equity investments managed by ISP Fund LP	—	(30,892)
Sales of equity investments managed by ISP Fund LP	19,939	5,976
Purchases and sales of other investments managed by ISP Fund LP, net	8,086	24,916
Sale of property and equipment	—	98
Net cash used in investing activities	(1,552)	(43,038)
Cash flows from financing activities		
Repurchase of common stock	—	(14,777)
Repurchase of shares to satisfy tax withholding	(91)	(105)
Proceeds from issuances of common stock, net	1,521	645
Net cash provided by (used in) financing activities	1,430	(14,237)
Net increase in cash and cash equivalents	92,568	23,490
Cash and cash equivalents at beginning of period	304,964	193,513
Cash and cash equivalents at end of period	$ 397,532	$ 217,003

	Six Months Ended June 30,	
	2025	2024
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 5,179	$ 5,179
Cash paid for income taxes	$ 11,944	$ —
Supplemental Disclosure of Non-cash Investing and Financing Activities:		
2025 Notes converted to common stock	$ 500	$ —
Accrued interest income converted to long-term investments	$ —	$ 799

See accompanying notes to condensed consolidated financial statements.

INNOVIVA, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Description of Operations and Summary of Significant Accounting Policies

Description of Operations

Innoviva, Inc. (and where context requires, together with its subsidiaries referred to as "Innoviva", the "Company", or "we" and other similar pronouns) is a company with a portfolio of royalties and innovative healthcare assets. Our royalty portfolio contains respiratory assets partnered with Glaxo Group Limited ("GSK"), including RELVAR®/BREO® ELLIPTA® (fluticasone furoate/vilanterol, "FF/VI") and ANORO® ELLIPTA® (umeclidinium bromide/ vilanterol, "UMEC/VI"). Under the Long-Acting Beta2 Agonist ("LABA") Collaboration Agreement, Innoviva is entitled to receive royalties from GSK on sales of RELVAR®/BREO® ELLIPTA® as follows: 15% on the first $3.0 billion of annual global net sales and 5% for all annual global net sales above $3.0 billion; and royalties from the sales of ANORO® ELLIPTA®, which tier upward at a range from 6.5% to 10%.

Our commercial and marketed products include GIAPREZA® (angiotensin II), approved to increase blood pressure in adults with septic or other distributive shock; XERAVA® (eravacycline), approved for the treatment of complicated intra-abdominal infections in adults; and XACDURO® (sulbactam for injection; durlobactam for injection), approved for the treatment of hospital-acquired and ventilator-associated pneumonias caused by *Acinetobacter* in adults. In addition, ZEVTERA® (ceftobiprole), an advanced-generation cephalosporin antibiotic, is exclusively commercialized by us in the U.S. under a distribution and license agreement with Basilea Pharmaceutica Ltd., ("Basilea"), which we entered into in December 2024. We continue to advance our pipeline, zoliflodacin, potentially a first-in-class, single-dose oral treatment for uncomplicated gonorrhea. In June 2025, the U.S. Food and Drug Administration ("FDA") accepted the new drug application ("NDA") for zoliflodacin, which has received Qualified Infectious Disease Product designation ("QIDP"), granting it priority review and the potential for extended market exclusivity. We have established a wholly owned, critical care and infectious disease operating platform, anchored by four differentiated commercial products and supported by a promising late-stage development asset.

Additionally, we strategically deploy capital and maintain economic interests in various healthcare companies, including a significant equity stake in Armata Pharmaceuticals, a company focused on development of bacteriophages with potential use across a range of infectious and other serious diseases.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information. Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. The unaudited condensed consolidated financial statements have been prepared on the same basis as audited consolidated financial statements and, in our opinion, include all adjustments, consisting of all normal recurring adjustments, necessary for the fair presentation of our financial position, results of operations, comprehensive income and cash flows. The interim results are not necessarily indicative of the results of operations to be expected for the year ending December 31, 2025, or any other periods.

The accompanying unaudited condensed consolidated financial statements include the accounts of Innoviva, our wholly-owned subsidiaries, and certain variable interest entities ("VIEs") for which we are the primary beneficiary. All intercompany balances and transactions have been eliminated in consolidation. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2024 filed with the Securities and Exchange Commission ("SEC") on February 26, 2025, and as amended on March 24, 2025. There have been no material changes to our summary of significant accounting policies as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2024.

Use of Management's Estimates

The preparation of unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the unaudited condensed consolidated financial statements and accompanying notes. Actual results could differ materially from those estimates. Management evaluates its significant accounting policies and estimates on an ongoing basis. We base our estimates on historical experience and other relevant assumptions that we believe to be reasonable under the circumstances. These estimates also form the basis for making judgments about the carrying values of assets and liabilities when these values are not readily apparent from other sources.

Concentrations of Credit Risk and of Significant Suppliers and Partner

Our financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and equity and long-term investments. Although we deposit our cash with multiple financial institutions, our deposits, at times, may exceed federally insured limits.

We are dependent on third-party manufacturers to supply active pharmaceutical ingredients ("API") and drug products for research and development and commercial programs. These programs could be adversely affected by significant interruption in the supply of API or drug products.

Currently, we derive most of our revenues from GSK. Our near-term success depends in large part upon the performance by GSK of its commercial obligations under the GSK Agreements and the commercial success of RELVAR®/BREO® ELLIPTA® and ANORO® ELLIPTA®. If GSK does not devote sufficient resources to the commercialization of these products, is unsuccessful in its efforts, or chooses to reprioritize its commercial programs, our business would be materially harmed. GSK is responsible for all clinical and other product development, regulatory, manufacturing and commercialization activities for products developed under the GSK Agreements, including RELVAR®/BREO® ELLIPTA® and ANORO® ELLIPTA®. Our quarterly royalty revenues may fluctuate due to a variety of factors, many of which are outside of our control. Our royalty revenues under the GSK Agreements may not meet our analysts' or investors' expectations due to a number of important factors.

Our revenues also include net product sales of GIAPREZA®, XERAVA®, XACDURO®, and, beginning in the second quarter of 2025, ZEVTERA®. In the U.S., hospitals and other healthcare organizations generally acquire our products through a network of specialty distributors, which are regarded as our customers for accounting purposes. We do not believe that the loss of any one of these distributors would significantly impact our ability to distribute our products, as we expect that the sales volume would be absorbed by either new or remaining distributors.

Three of our customers each account for 26%, 26% and 24%, respectively, of our net product sales for the three months ended June 30, 2025, and 27%, 26% and 25%, respectively for the six months ended June 30, 2025. These same customers account for 33%, 14% and 14%, respectively, of our receivables from net product sales, which are included in "Accounts receivable" in our unaudited condensed consolidated balance sheet as of June 30, 2025. Three of our customers each account for 32%, 23% and 27%, respectively, of our net product sales for the three months ended June 30, 2024, and 34%, 24% and 25% for the six months ended June 30, 2024. These same customers account for 31%, 18% and 15%, respectively, of our receivables from net product sales, which are included in "Accounts receivable" in our condensed consolidated balance sheet as of December 31, 2024.

Refer to Item 1A. "Risk Factors" disclosed in our Annual Report on Form 10-K for the year ended December 31, 2024.

Segment Reporting

Operating segments are defined as components of an enterprise for which discrete financial information is available and are evaluated regularly by the chief operating decision maker ("CODM") in making decisions about resource allocation and assessing performance. Refer to Note 14, "Segment Reporting", for more information.

Variable Interest Entities

The primary beneficiary of a variable interest entity ("VIE") is required to consolidate the assets and liabilities of the VIE. When we obtain a variable interest in another entity, we assess at the inception of the relationship and upon occurrence of certain significant events whether the entity is a VIE and, if so, whether we are the primary beneficiary of the VIE based on our power to direct the activities of the VIE that most significantly impact the VIE's economic performance and our obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

To assess whether we have the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, we consider all the facts and circumstances, including our role in establishing the VIE and our ongoing rights and responsibilities. This assessment includes identifying the activities that most significantly impact the VIE's economic performance and identifying which party, if any, has power over those activities. In general, the parties that make the most significant decisions affecting the VIE (management and representation on the Board of Directors) and have the right to unilaterally remove those decision-makers are deemed to have the power to direct the activities of a VIE.

To assess whether we have the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE, we consider all of our economic interests that are deemed to be variable interests in the VIE. This assessment requires us to apply judgment in determining whether these interests, in the aggregate, are considered potentially significant to the VIE.

Goodwill and Intangible Assets

Goodwill is recognized as the excess of the purchase consideration of an acquired entity over the fair value assigned to assets acquired and liabilities assumed in a business combination. Goodwill and intangible assets with an indefinite useful life are not amortized and are tested for impairment at least annually on the first day of December of each year or more frequently if indicators for potential impairment exist or whenever events or changes in circumstances indicate that the asset's carrying asset amount may not be recoverable. Intangible assets with definite useful lives are amortized on a straight-line basis over their respective remaining useful lives and are tested for impairment only if indicators for potential impairment exist or whenever events or changes in circumstances indicate that the asset's carrying amount may not be recoverable. Significant judgment may be involved in determining if an indicator of impairment has occurred.

Equity and Long-Term Investments

We invest from time to time in equity and debt securities of private or public companies. If we determine that we have control over these companies under either voting or VIE models, we consolidate them in our unaudited condensed consolidated financial statements. If we determine that we do not have control over these companies under either voting or VIE models, we then determine if we have an ability to exercise significant influence via voting interests, board representation or other business relationships.

We may account for the investments where we exercise significant influence using either an equity method of accounting or at fair value by electing the fair value option under Accounting Standards Codification ("ASC") Topic 825, *Financial Instruments*. If the fair value option is applied to an investment that would otherwise be accounted for under the equity method, we apply it to all our financial interests in the same entity (equity and debt, including guarantees) that are eligible items. All gains and losses from fair value changes, unrealized and realized, are presented as changes in fair values of equity method investments, net, and changes in fair values of equity and long-term investments, net, within the unaudited condensed consolidated statements of income and comprehensive income.

If we conclude that we do not have the ability to exercise significant influence over an investee, we may elect to account for equity security without a readily determinable fair value using the measurement alternative method under ASC 321, *Investments - Equity Securities*. This method allows us to measure the investment at cost less impairment, if any, and adjusted for observable price changes in orderly transactions involving the same or a similar investment of the same issuer.

We also invest in ISP Fund LP, whose investments consist of money market funds, trading securities, and equity securities in the healthcare, pharmaceutical and biotechnology industries. Pursuant to the Partnership Agreement entered into in December 2020, we became a limited partner of the partnership. In October 2024, we elected to unwind our capital accounts in the partnership in accordance with the terms of the Partnership Agreement and expect to receive distributions through April 2026. Accordingly, the portion of the cash balance and money market funds expected to be distributed within 12 months from the balance sheet date has been classified as "Current portion of ISP Fund investments," while the remaining equity investments have been classified as long-term investments in the condensed consolidated balance sheets as of June 30, 2025 and December 31, 2024.

Revenue Recognition

We apply the guidance on principal versus agent considerations under ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), to determine the appropriate treatment for the transactions between us and third parties. The classification of transactions under our arrangements is determined based on the nature and contractual terms of the arrangement along with the nature of the operations of the participants. Any consideration related to activities in which we are considered the principal, which includes being in control of the good or service before such good or service is transferred to the customer, are accounted for as product sales.

Revenue is recognized when our customer obtains control of promised goods or services, in an amount that reflects the consideration which we expect to receive in exchange for those goods or services. Revenue is recognized through a five-step process: (i) identify the contract with the customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price for the contract; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue as a performance obligation is satisfied.

Royalty Revenue

We recognize royalty revenue on net sales of products with respect to which we have contractual royalty rights in the period in which the royalties are earned. The net sales reports provided by our partner are based on their own methodology and assumptions for estimating rebates and returns, which they monitor and adjust regularly in light of contractual and legal obligations, historical trends, past experience, and projected market conditions. Our partner may make significant adjustments to its reported sales based on actual results, which could cause fluctuation in our royalty revenue. We conduct periodic royalty audits to evaluate the accuracy of the information provided. Royalties from GSK are recognized as the net of amortization of capitalized fees related to approval and launch milestone payments made to GSK.

Revenue from Product Sales

Revenue from product sales is recognized when our customers obtain control of the product and is recorded at the transaction price, net of estimates for variable consideration consisting of chargebacks, discounts, returns and rebates. Variable consideration is estimated using the expected-value amount method, which is the sum of probability-weighted amounts in a range of possible consideration amounts. Actual amounts of consideration ultimately received may differ from our estimates. If actual results vary materially from our estimates, we will adjust these estimates, which will affect revenue from product sales and earnings in the period such estimates are adjusted. These items may include:

- Chargebacks: Chargebacks are discounts we provide to distributors in the event that the sales prices to end users are below the distributors' acquisition price. This may occur due to a direct contract with a health system, a group purchasing organization ("GPO") agreement or a sale to a government facility. Chargebacks are estimated based on known chargeback rates and recorded as a reduction of revenue on delivery to our customers.
- Discounts: We offer customers various forms of incentives and consideration, including prompt-pay and other discounts. We estimate discounts primarily based on contractual terms. These discounts are recorded as a reduction of revenue on delivery to our customers.
- Returns: We offer customers a limited right of return, generally for damaged or expired products. We estimate returns based on an internal analysis, which includes actual experience. The estimates for returns are recorded as a reduction of revenue on delivery to our customers.
- Rebates: We participate in Medicaid rebate programs, which provide assistance to certain low-income patients based on each state's eligibility guidelines and services. Under these programs, we pay rebates to participating states, typically within three months after the quarter in which the product was sold. Additionally, we may offer customer incentives and other forms of consideration, such as volume-based or performance-based rebates. Estimated rebates are recorded as a reduction of revenue on delivery to our customers.

We continue to assess our estimates of variable consideration as we accumulate additional historical data and will adjust these estimates accordingly.

License Revenue

At the inception of a licensing arrangement that includes development and regulatory milestone payments, we evaluate whether the milestones are considered probable of being achieved and estimate the amount to be included in the transaction price. We generally include these milestone payments in the transaction price when they are achieved because there is considerable uncertainty in the research and development processes that trigger receipt of these payments under our agreements. Similarly, we include approval milestone payments in the transaction price once the product is approved by the applicable regulatory agency. For a licensing arrangement that includes services, we recognize revenue over time using an input method, representing the transfer of goods or services as we perform activities over the term of the arrangement.

Research and Development Expenses

Research and development expenses are recognized in the period that services are rendered or goods are received. Research and development expenses consist of salaries and benefits, laboratory supplies, facilities and other overhead costs, research-related manufacturing costs, contract service and clinical-related service costs performed by third party research organizations, research institutions and other outside service providers. Non-refundable prepayments for goods or services that will be used or rendered for future research and development activities are deferred and capitalized. Such amounts are recognized as an expense as the related goods are delivered or the related services are performed. We also utilize significant judgment and estimates to record accruals for estimated ongoing research costs based on the progress of the studies and progress of research manufacturing activities.

Recently Issued Accounting Pronouncement Adopted

In December 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures (Topic 740)*. The ASU requires the disclosure of income taxes paid disaggregated by jurisdiction and enhanced disclosures for the entity's effective tax rate reconciliation as well as other income tax related disclosures. This ASU became effective for us on January 1, 2025, at which time it was adopted. We will include the required disclosures, to the extent applicable, within our annual financial statements as of and for the year ended December 31, 2025.

Recently Issued Accounting Pronouncements Not Yet Adopted

In November 2024, the FASB issued ASU 2024-03, *Income Statement — Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40)*, which requires disclosures about specific types of expenses included in the expense captions presented on the face of the statement of income as well as disclosures about selling expenses. ASU 2024-03 is effective for the Company in annual reporting periods beginning after December 15, 2027, and interim reporting periods beginning after December 15, 2027. We are currently evaluating the potential impact that ASU 2024-03 may have on our financial statement disclosures.

In November 2024, the FASB issued ASU 2024-04, *Debt — Debt with Conversion and Other Options (Subtopic 470-20)*, which clarifies the assessment of whether a transaction should be accounted for as an induced conversion or extinguishment of convertible debt when changes are made to conversion features as part of an offer to settle the instrument. ASU 2024-04 is effective for annual reporting periods beginning after December 15, 2025 and interim reporting periods within those annual reporting periods. We are currently evaluating the potential impact that ASU 2024-04 may have on our financial statements and related disclosures.

2. Net Income (Loss) Per Share

Basic net income (loss) per share is computed by dividing net income by the weighted-average number of shares of common stock outstanding. Diluted net income per share is computed by dividing net income by the weighted-average number of shares of common stock and dilutive potential common stock equivalents then outstanding. Dilutive potential common stock equivalents include the assumed exercise, vesting and issuance of employee stock awards using the treasury stock method, as well as common stock issuable upon assumed conversion of our convertible senior notes due 2025 (the "2025 Notes") and our convertible senior notes due 2028 (the "2028 Notes") using the if-converted method. If in a net loss position, diluted net loss per share is computed by dividing the net loss by the weighted-average number of shares of common stock outstanding for the period, without consideration for dilutive potential common stock equivalents.

The following table shows the computation of basic and diluted net income (loss) per share for the three and six months ended June 30, 2025 and 2024:

(In thousands except per share data)	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
Numerator:				
Net income (loss), basic	$ 63,688	$ (34,685)	$ 17,104	$ 1,847
Add: interest expense on 2025 Notes, net of tax effect	697	—	1,396	—
Add: interest expense on 2028 Notes, net of tax effect	873	—	1,748	—
Net income (loss), diluted	$ 65,258	$ (34,685)	$ 20,248	$ 1,847
Denominator:				
Weighted-average shares used to compute basic net income (loss) per share	62,865	62,526	62,787	62,856
Dilutive effect of 2025 Notes	11,149	—	11,150	—
Dilutive effect of 2028 Notes	9,955	—	9,955	—
Dilutive effect of options and awards granted under equity incentive plan and employee stock purchase plan	449	—	435	—
Dilutive effect of outstanding warrant	34	—	15	208
Weighted-average shares used to compute diluted net income (loss) per share	84,452	62,526	84,342	63,064
Net income (loss) per share				
Basic	$ 1.01	$ (0.55)	$ 0.27	$ 0.03
Diluted	$ 0.77	$ (0.55)	$ 0.24	$ 0.03

Anti-Dilutive Securities

The following common stock equivalents were not included in the computation of diluted net income (loss) per share because their effect was anti-dilutive for the periods presented:

(In thousands)	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
Outstanding options and awards granted under equity incentive plan and employee stock purchase plan	1,630	1,897	1,389	1,542
Outstanding stock warrant	—	591	—	591
Outstanding 2025 Notes	—	11,150	—	11,150
Outstanding 2028 Notes	—	9,955	—	9,955
Total	1,630	23,593	1,389	23,238

3. Revenue Recognition

Net Revenue from Collaboration Arrangement

Net revenue recognized under our GSK Agreements was as follows:

(In thousands)	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
Royalties - RELVAR/BREO	$ 54,737	$ 53,980	$ 105,627	$ 106,118
Royalties - ANORO	12,599	13,218	22,972	22,951
Total royalties	67,336	67,198	128,599	129,069
Less: amortization of capitalized fees paid	(3,456)	(3,456)	(6,912)	(6,912)
Total net royalty revenue	$ 63,880	$ 63,742	$ 121,687	$ 122,157

Net Product Sales

Total net product sales were as follows:

(In thousands)	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
GIAPREZA®	$ 17,329	$ 13,109	$ 35,602	$ 25,190
XACDURO®	10,731	2,344	18,514	4,579
XERAVA®	7,094	6,198	11,317	10,966
ZEVTERA®	339	—	339	—
Total net product sales	$ 35,493	$ 21,651	$ 65,772	$ 40,735

We derived our net product sales from customers located in the U.S. and the rest of world as follows:

- approximately 82% and 18%, respectively, for the three months ended June 30, 2025, and 84% and 16%, respectively, for the six months ended June 30, 2025.
- approximately 87% and 13%, respectively, for the three months ended June 30, 2024, and 89% and 11%, respectively, for the six months ended June 30, 2024.

License Revenue

Refer to the out-license agreements with Zai Lab in Note 4, “License and Collaboration Arrangements”.

4. License and Collaboration Arrangements

Out-License Agreements

Zai Lab

Entasis entered into a license and collaboration agreement with Zai Lab (Shanghai) Co., Ltd. (“Zai Lab”) (Nasdaq: ZLAB), pursuant to which Zai Lab licensed exclusive rights to durlobactam and SUL-DUR, in the Asia-Pacific region (“the Zai Agreement”). Under the terms of the Zai Agreement, Zai Lab will fund most of the registrational clinical trial costs in China for SUL-DUR, with the exception of Phase 3 patient drug supply of licensed products. Zai Lab will conduct development activities and plan and obtain regulatory approval in a specified number of countries in the Asia-Pacific region beyond China after receipt of regulatory approval of a licensed product in China. Zai Lab is also solely responsible for commercializing licensed products in the Asia-Pacific region and will commercialize licensed products for which it has obtained regulatory approval. We are obligated to supply Zai Lab with the licensed products for clinical development and for commercial use for a certain period unless Zai Lab notifies otherwise. Zai Lab may take over manufacturing responsibilities for its own commercialization activities within a specified time period following the effective date of the Zai Agreement.

We are eligible to receive up to an aggregate of $91.0 million in research and development support payments and development, regulatory and sales milestone payments related to SUL-DUR, imipenem and other combinations with the licensed products. Zai Lab will pay us a tiered royalty equal to from a high-single digit to low-double digit percentage based on annual net sales of licensed products in the territory, subject to specified reductions for the market entry of competing products, loss of patent coverage of licensed products and for payments owed to third parties for additional rights necessary to commercialize licensed products in the territory. Payments received for research support and reimbursable clinical trial costs are recorded as a reduction to research and development expense during the period in which the qualifying expenses are incurred. Such amounts recorded for the three and six months ended June 30, 2025 and 2024 were not material. SUL-DUR was approved by China’s National Medical Products Administration in May 2024 and was launched by Zai Lab in mainland China in January 2025. Royalties under this arrangement based on the product sales were $0.6 million and $1.1 million for the three and six months ended June 30, 2025, respectively. We recognized $8.0 million in license revenue for the three and six months ended June 30, 2024 under this agreement as a result of the achievement of a regulatory milestone.

In April 2024, we entered into an amendment to the Zai Agreement (the "Amended Zai Agreement"), pursuant to which Zai Lab shall share costs associated with certain new manufacturing and technology transfer activities for XACDURO® (the "Services"), which were not contemplated under the Zai Agreement and are crucial for regulatory approval in the Asia-Pacific region. We determined that the Amended Zai Agreement falls within the scope of ASC 606, and that Zai Lab is a customer in this arrangement, as the Services represent an output of our ordinary activities. We also determined that the Services represent the only performance obligation and are distinct from the performance obligations under the original Zai Agreement. In addition, the costs we incur in performing the Services most accurately depict the transfer of value to Zai Lab and maximize the use of observable inputs for measuring progress, therefore, we recognize revenue from this arrangement as the costs related to Services are incurred. Under the Amended Zai Agreement, license revenue recognized for the three months ended June 30, 2025 was not material. We recognized $0.6 million in license revenue for the six months ended June 30, 2025, and $6.5 million for the three and six months ended June 30, 2024. As of June 30, 2025, there was an immaterial amount outstanding under this amendment. As of December 31, 2024, outstanding amounts of $1.6 million were included in "Accounts receivable" in our unaudited condensed consolidated balance sheets as of December 31, 2024.

In June 2024, we entered into an interim supply agreement with Zai Lab, under which Zai Lab shall purchase XACDURO® inventory (the "Supplied Inventory") for their commercial use. We have determined that this agreement falls within the scope of ASC 606. Zai Lab is a customer and the Supplied Inventory is an output of our ordinary activities. We have also determined that the Supplied Inventory represents the only performance obligation and is distinct from the performance obligations under the Zai agreements discussed above. Furthermore, we evaluated that the performance obligation is satisfied over time and that a cost-to-cost measure of progress would be the measure of progress that most accurately depicts the transfer of value to Zai Lab and maximizes the use of observable inputs to measure progress. We recognized $1.7 million and $2.5 million in net product sales for the Supplied Inventory for the three and six months ended June 30, 2025, respectively. There were no net product sales for the Supplied Inventory recorded for the three and six months ended June 30, 2024. Amounts outstanding under this agreement of $1.4 million and $0.6 million are included in "Accounts receivable" in our unaudited condensed consolidated balance sheets as of June 30, 2025 and December 31, 2024, respectively. We have also received advance payments of $16.1 million and $5.3 million as of June 30, 2025, and December 31, 2024, respectively, from Zai Lab for additional inventory purchases. These amounts were recorded as other accrued liabilities and will be recognized as revenue when a supply agreement is finalized and performance obligation is satisfied.

We also entered into a manufacturing stage transfer agreement with Zai Lab in June 2024, which was amended in September 2024 (the "Zai Manufacturing Stage Transfer Agreement"). Pursuant to this agreement, Entasis shall provide assistance to Zai Lab for building out Zai Lab's manufacturing site for XACDURO® and be compensated for Entasis' services and associated costs. We have determined this agreement falls within the scope of ASC 606. Zai Lab is a customer and the transfer service is an output of our ordinary activities and represents our only performance obligation, which is distinct from the performance obligations under the Zai agreements. Furthermore, we have evaluated that the performance obligation is satisfied over time and that the costs we incur in performing the transfer service most accurately depicts the transfer of value to Zai Lab and maximizes the use of observable inputs for measuring progress, therefore, we recognize revenue from this arrangement as the services are provided and the costs are incurred. We recognized license revenue under the Zai Manufacturing Stage Transfer Agreement of $0.9 million for the three and six months ended June 30, 2025. No license revenue was recognized under this agreement for the three and six months ended June 30, 2024.

GARDP

Entasis entered into a collaboration agreement with the Global Antibiotic Research and Development Partnership ("GARDP") for the development, manufacture and commercialization of the product candidate zoliflodacin in certain countries ("the GARDP Collaboration Agreement"). Under the terms of the GARDP Collaboration Agreement, GARDP will use commercially reasonable endeavors to perform and fully fund the Phase 3 registrational trial, including the manufacture and supply of the product candidate containing zoliflodacin, in uncomplicated gonorrhea. We recorded immaterial reimbursements from GARDP under this agreement as a reduction to research and development expense during the periods presented.

In addition, under the GARDP Collaboration Agreement, GARDP was granted a worldwide, fully paid, exclusive and royalty-free license, with the right to sublicense, to use our zoliflodacin technology in connection with GARDP's development, manufacture and commercialization of zoliflodacin in low-income and specified middle-income countries. We retained commercial rights in all other countries worldwide, including the major markets in North America, Europe and Asia-Pacific. We also retained the right to use and grant licenses to our zoliflodacin technology to perform our obligations under the GARDP Collaboration Agreement and for any purpose other than gonorrhea or community-acquired indications. If we believe that the results of the Phase 3 registrational trial of zoliflodacin would be supportive of an application for marketing approval, we are obligated to use our best efforts to file an application for marketing approval with the FDA within six months of the completion of the trial and to use commercially reasonable endeavors to file an application for marketing approval with the European Medicines Agency ("EMA"). Each party is responsible for using commercially reasonable efforts to obtain marketing authorizations for the product candidate in their respective territories.

PAION Pharma GmbH

Pursuant to the PAION AG and PAION Deutschland GmbH (together and individually "PAION") License, La Jolla granted PAION an exclusive license to commercialize GIAPREZA® and XERAVA® in the European Economic Area, the United Kingdom and Switzerland (collectively, the "PAION Territory"). PAION is currently a subsidiary of the Humanwell Healthcare Group. We are entitled to receive potential commercial milestone payments of up to $109.5 million and double-digit tiered royalty payments. Royalties payable in a given jurisdiction under the PAION License are subject to reduction on account of generic competition and after patent expiration in that jurisdiction. Pursuant to the PAION License, PAION will be solely responsible for the future development and commercialization of GIAPREZA® and XERAVA® in the PAION Territory. PAION is required to use commercially reasonable efforts to commercialize GIAPREZA® and XERAVA® in the PAION Territory. Royalty revenue recognized under this agreement for the three and six months ended June 30, 2025 and 2024 was not material.

La Jolla also entered into the PAION commercial supply agreement (the "PAION Supply Agreement") whereby La Jolla supplies PAION a minimum quantity of GIAPREZA® and XERAVA® until the earlier of July 13, 2027, or until a new supply agreement is executed. During the term of the supply agreement, we are reimbursed for direct and certain indirect manufacturing costs at cost. We recognized $0.8 million and $1.4 million in cost reimbursements for the three and six months ended June 30, 2025, respectively. Cost reimbursements recognized under this agreement for the three and six months ended June 30, 2024 were not material.

Everest Medicines Limited

Pursuant to the Everest Medicines Limited ("Everest") License, La Jolla granted Everest an exclusive license to develop and commercialize XERAVA® for the treatment of complicated intra-abdominal infections ("cIAI") and other indications in mainland China, Taiwan, Hong Kong, Macau, South Korea, Singapore, the Malaysian Federation, the Kingdom of Thailand, the Republic of Indonesia, the Socialist Republic of Vietnam and the Republic of the Philippines (collectively, the "Everest Territory"). We are eligible to receive sales milestone payments of up to an aggregate of $20.0 million under this agreement.

We are also entitled to receive tiered royalties from Everest at percentages in the low double digits on sales, if any, in the Everest Territory of products containing eravacycline. Royalties are payable with respect to each jurisdiction in the Everest Territory until the latest to occur of: (i) the last-to-expire of specified patent rights in such jurisdiction in the Everest Territory; (ii) expiration of marketing or regulatory exclusivity in such jurisdiction in the Everest Territory; or (iii) 10 years after the first commercial sale of a product in such jurisdiction in the Everest Territory. Royalty revenue from Everest recognized for the three and six months ended June 30, 2025 was $2.0 million. Royalty revenue recognized for the three and six months ended June 30, 2024 was $1.2 million and $1.8 million, respectively.

La Jolla also entered into the Everest commercial supply agreement (the "Everest Supply Agreement") whereby La Jolla will supply Everest a minimum quantity of XERAVA® and will transfer to Everest certain XERAVA®-related manufacturing know-how. Under the Everest Supply Agreement, we are reimbursed for direct and certain indirect manufacturing costs at 110% of cost. Revenue recognized under the Everest Supply Agreement for the three and six months ended June 30, 2025 was $0.8 million and $1.8 million, respectively. Revenue recognized under the Everest Supply Agreement for the three and six months ended June 30, 2024 was $0.8 million and $1.7 million, respectively.

In-License Agreements

Basilea

In December 2024, we entered into an exclusive distribution and license agreement with Basilea, under which we were granted exclusive marketing rights to ZEVTERA® in the U.S. The agreement will remain in effect through the expiration of ZEVTERA®'s market exclusivity in the U.S. in 2034 (the "initial term")and is subject to automatic renewal unless terminated by either party with prior notice. We paid an upfront fee of $4.0 million, which was recognized as an intangible asset and is being amortized over the initial term of the agreement. Under the agreement, we are required to exclusively purchase ZEVTERA® (in pre-packaging and labeling form) from Basilea for the duration of the term. We are also obligated to pay Basilea tiered royalties ranging from the high-teens to mid-twenties, as well as tiered milestone payments based on annual net sales in the U.S. ZEVTERA® was commercially launched in the U.S. in July 2025, with a small amount sold in May 2025. Royalty expense incurred on the sales was immaterial during the three and six months ended June 30, 2025.

George Washington University

Pursuant to the George Washington University License (the "GW License"), GW exclusively licensed to La Jolla certain intellectual property rights relating to GIAPREZA®, including the exclusive rights to certain issued patents and patent applications covering GIAPREZA®. Under the GW License, we are obligated to use commercially reasonable efforts to develop, commercialize, market and sell GIAPREZA®. We are obligated to pay a 6% royalty on net sales of GIAPREZA® and 15% on payments received from sublicensees. The obligation to pay royalties under the GW License extends through the last-to-expire patent covering GIAPREZA®. Royalty expense incurred under the GW License for the three and six months ended June 30, 2025 were $1.1 million and $2.2 million, respectively. Royalty expense incurred for the three and six months ended June 30, 2024 were $0.7 million and $1.4 million, respectively.

Harvard University

Pursuant to the Harvard University ("Harvard") License, Harvard exclusively licensed to La Jolla certain intellectual property rights relating to tetracycline-based products, including XERAVA®, including the exclusive rights to certain issued patents and patent applications covering such products. Under the Harvard License, we are obligated to use commercially reasonable efforts to develop, commercialize, market and sell tetracycline-based products, including XERAVA®. For each product covered by the Harvard License, we are obligated to make certain payments for the following: (i) up to approximately $15.1 million upon the achievement of certain clinical development and regulatory milestones; (ii) a 5% royalty on direct U.S. net sales of XERAVA®; (iii) a single-digit tiered royalty on direct ex-U.S. net sales of XERAVA®, starting at a minimum royalty rate of 4.5%, with step-ups to a maximum royalty of 7.5% based on the achievement of annual net product sales thresholds; and (iv) 20% on payments received from sublicensees. The obligation to pay royalties under this agreement extends through the last-to-expire patent covering tetracycline-based products, including XERAVA®. Royalty expense incurred under the Harvard License for the three and six months ended June 30, 2025 were $0.6 million and $0.7 million, respectively. Royalty expense incurred for the three and six months ended June 30, 2024 were $0.5 million and $1.2 million, respectively.

Business Transfer and Subscription Agreement with AstraZeneca

Entasis entered into a Business Transfer and Subscription Agreement with AstraZeneca, AstraZeneca UK Limited and AstraZeneca Pharmaceuticals LP (collectively, "AstraZeneca") (the "AstraZeneca Agreement") in 2015, which was amended and restated through 2018, pursuant to which Entasis obtained, among other things, worldwide rights to durlobactam and zoliflodacin. Under the AstraZeneca Agreement, we are obligated to pay AstraZeneca a one-time milestone payment of $5.0 million within three months of achieving a specified cumulative net sales milestone for durlobactam. We are also obligated to pay AstraZeneca a one-time milestone payment of $10.0 million within two years of achieving the first commercial sale of zoliflodacin. Additionally, we are obligated to pay AstraZeneca tiered, single-digit royalties on the annual worldwide net product sales of durlobactam and, the lesser of tiered, single-digit royalties on the worldwide annual net sales of zoliflodacin and a specified share of the royalties we receive from sublicensees of zoliflodacin. Royalties on sales of zoliflodacin do not include sales by GARDP in low-income and specified middle-income countries as discussed above. Our obligation to make these royalty payments expires on a country-by-country basis for each product upon the later of (i) the 10-year anniversary of the first commercial sale of a product in that country or (ii) the expiration date of the last patent right covering the product in that country.

The royalty expense in respect of durlobactam arising from our net product sales of XACDURO® for the three and six months ended June 30, 2025 and 2024 was not material.

5. Consolidated Entity

ISP Fund LP

In 2020 and 2021, Innoviva Strategic Partners LLC, our wholly owned subsidiary ("Strategic Partners"), contributed a total of $300.0 million to ISP Fund LP (the "Partnership") for investing in "long" positions in the healthcare, pharmaceutical and biotechnology sectors, and became a limited partner. We consolidate ISP Fund LP under the VIE model as we have determined that ISP Fund LP is a VIE and we are the primary beneficiary of the entity. Our maximum exposure to loss is equal to the amount we invested in the entity.

ISP Fund LP is determined to be an investment company under ASC 946, *Financial Services – Investment Companies*, as it meets all fundamental characteristics of an investment company, and its activities are consistent with those of an investment company. Since ISP Fund LP is subject to investment company industry specific guidance, we have retained the industry-specific guidance applied by the Partnership. In addition, as our investment in the Partnership is a passive investment for the Company and is not part of our main operations, the investments are presented as part of "Equity and long-term investments" in our condensed consolidated balance sheets. In October 2024, Strategic Partners made an election to unwind its capital accounts in the Partnership in accordance with the terms of the Partnership Agreement and we expect to receive distributions of our capital accounts through April 2026. Accordingly, a portion of our investments, which consist of cash and money market funds that we expect to be distributed within 12 months from the balance sheet date, were classified as "Current portion of ISP Fund investments" in the condensed consolidated balance sheets as of June 30, 2025 and December 31, 2024, and the remaining equity investments managed by ISP Fund LP are expected to be distributed through April 2026. A cash distribution of $28.0 million was received in April 2025. We report in our condensed consolidated statements of income and comprehensive income any investment gains and losses by the Partnership as part of "Changes in fair value of equity and long-term investments, net", any interest and dividend income as part of "Interest and dividend income" and any investment expenses as part of "Other expense, net".

As of June 30, 2025, we continued to hold approximately 100% of the economic interest of the Partnership. As of June 30, 2025 and December 31, 2024, total assets of the Partnership were $147.5 million and $255.7 million, respectively, with the majority attributable to either current portion of ISP Fund investment or to equity and long-term investments. As of June 30, 2025 and December 31, 2024, total liabilities were $0.1 million and $0.2 million, respectively. The partnership's assets can only be used to settle its own obligations.

During the three and six months ended June 30, 2025, we recorded $0.7 million and $1.5 million, respectively, in investment-related expense incurred by the Partnership, generated $1.2 million and $2.4 million, respectively, in interest income, and recorded $0.4 million in net realized and unrealized gains and $80.9 million in net realized and unrealized losses, respectively, as changes in fair values of equity and long-term investments, net, in the unaudited condensed consolidated statements of income and comprehensive income. During the three and six months ended June 30, 2024, we recorded $0.1 million and $0.3 million, respectively, of net investment-related expense incurred by the Partnership and $15.8 million and $42.0 million, respectively, of net realized and unrealized losses as changes in fair values of equity and long-term investments, net, in the unaudited condensed consolidated statements of income and comprehensive income.

The following is a summary of individual investments held by ISP Fund at each balance sheet date:

(In thousands)	June 30, 2025	December 31, 2024
Common stock - Publicly traded healthcare companies		
United States	$ 41,294	$ 84,039
United Kingdom	3,325	1,989
Total common stock	44,619	86,028
Preferred stock - Privately held healthcare companies		
United States	2,644	53,591
Warrants - Privately held healthcare companies	—	8,507
Money market fund and cash	100,200	107,532
Total investments held by ISP Fund LP	$ 147,463	$ 255,658

6. Equity and Other Investments and Fair Value Measurements

Equity and Other Investments in Armata

Since the first quarter of 2020, Innoviva and its wholly owned subsidiary, Innoviva Strategic Opportunities, LLC ("ISO"), have invested in the common stock, warrants, convertible note, and term loans of Armata Pharmaceuticals, Inc. ("Armata"), a clinical stage biotechnology company focused on development of precisely targeted bacteriophage therapeutics for antibiotic-resistant infections.

On March 12, 2025, ISO and Armata entered into a Credit and Security Agreement, under which ISO extended a term loan to Armata (the "Armata March 2025 Term Loan") in the aggregate principal amount of $10.0 million. The loan bears interest at a rate of 14% per annum and matures on March 12, 2026. The Credit and Security Agreement is secured by substantially all assets of Armata and its domestic and foreign material subsidiaries. Concurrently, ISO extended the maturity date of the convertible note and the term loans issued in July 2023 (the 'Armata July 2023 Term Loan") and in March 2024 the "Armata March 2024 Term Loan") to March 12, 2026.

As of June 30, 2025, Innoviva collectively owns 25,076,769 shares of Armata's common stock, representing a 69.3% equity interest, and held 10,653,847 warrants with exercise prices ranging from $3.25 to $5.00 per share. Innoviva also held $30.1 million in principal amount of Armata's convertible note and a total of $70.1 million in term loans.

The investments in Armata's common stock and warrants provide Innoviva and ISO the ability to have significant influence but not control over Armata's operations. Armata's business and affairs are managed under the direction of its board of directors, which Innoviva and ISO do not control. Based on our evaluation, we determined that Armata is a VIE, but Innoviva and ISO are not the primary beneficiary of the VIE. We have not provided financial or other support that we were not previously contractually required to provide during the periods presented. Our maximum exposure to loss is equal to the amount we invested in the entity.

We account for Armata's common stock and warrants under the equity method using the fair value option. The fair value of Armata's common stock is measured based on its closing market price. All warrants are exercisable immediately within five years from the issuance date of the warrants and include a cashless exercise option. The warrants purchased in 2020 expired during the first quarter of 2025. We use the Black-Scholes-Merton pricing model to estimate the fair value of these warrants with the following input assumptions: Armata's closing market price on the valuation date, the risk-free interest rate computed based on the U.S. Treasury yield, the remaining contractual term as the expected term, and the expected stock price volatility calculated based on the historical volatility of the common stock of Armata and its peer companies. We account for the convertible note as a trading security, measured at fair value using a Monte Carlo simulation model with the probability of certain qualified events and the assumptions of risk-free rate, volatility of stock price and timing of certain qualified events. We account for the term loans as trading securities, measured at fair value using an income approach based on the discounted value of expected future cash flows.

As of June 30, 2025, the fair values of our holdings of Armata common stock, warrants, the convertible note, the term loan issued in 2023, the term loan issued in 2024 and the term loan issued in March 2025 were estimated at $47.6 million, $4.2 million, $44.0 million, $31.6 million, $41.3 million and $10.5 million, respectively. As of December 31, 2024, the fair values of our holdings of Armata common stock, warrants, the convertible note, the term loan issued in 2023, and the term loan issued in 2024 were estimated at $46.4 million, $5.9 million, $42.1 million, $30.2 million and $39.3 million, respectively.

For the common stock and warrants, we recorded $13.1 million in unrealized gain and $0.4 million in unrealized loss for the three and six months ended June 30, 2025, respectively, and $60.1 million and $24.8 million in unrealized loss for the three and six months ended June 30, 2024, respectively, as changes in fair values of equity method investments, net, in the unaudited condensed consolidated statements of income and comprehensive income.

For the convertible note, we recorded $6.2 million and $1.9 million in unrealized gain for the three and six months ended June 30, 2025, respectively, and $16.6 million and $4.2 million in unrealized loss for the three and six months ended June 30, 2024, respectively, as changes in fair values of equity and long-term investments, net, in the unaudited condensed consolidated statements of income and comprehensive income.

For the term loan issued in July 2023, we recorded $1.1 million and $1.4 million in unrealized gain for the three and six months ended June 30, 2025, respectively, and $0.6 million and $1.0 million in unrealized gain for the three and six months ended June 30, 2024, respectively, as changes in fair values of equity and long-term investments, net, in the unaudited condensed consolidated statements of income and comprehensive income.

For the term loan issued in March 2024, we recorded $1.4 million and $2.0 million in unrealized gain for the three and six months ended June 30, 2025, respectively, and $0.9 million and $1.4 million in unrealized gain for the three and six months ended June 30, 2024, respectively, as changes in fair values of equity and long-term investments, net, in the unaudited condensed consolidated statements of income and comprehensive income.

For the term loan issued in March 2025, we recorded $0.4 million and $0.5 million in unrealized gain for the three and six months ended June 30, 2025, respectively, as changes in fair values of equity and long-term investments, net, in the unaudited condensed consolidated statement of income and comprehensive income.

The summarized financial information, including the portion we do not own, is presented for Armata on a one quarter lag as follows:

Income Statement Information

	Three Months Ended March 31,		Six Months Ended March 31,	
(In thousands)	**2025**	**2024**	**2025**	**2024**
Revenue	$ 491	$ 966	$ 1,726	$ 2,494
Loss from operations	$ (8,191)	$ (10,228)	$ (18,730)	$ (16,806)
Net loss	$ (6,531)	$ (25,021)	$ (3,931)	$ (44,868)

Equity and Other Investments in InCarda

Since the third quarter of 2020, Innoviva TRC Holdings, LLC ("ITH"), a wholly owned subsidiary of Innoviva, has invested in the common stock, preferred stock, warrants and convertible notes of InCarda Therapeutics, Inc. ("InCarda"), a privately held biopharmaceutical company focused on developing inhaled therapies for cardiovascular diseases.

As of June 30, 2025, ITH owns 36,742,250 shares of InCarda's common and preferred stock and 2,490,033 warrants, representing a 9.1% equity interest. ITH also invested $0.4 million and $0.5 million in the principal amounts of InCarda's convertible notes issued in January 2024 (the "InCarda 2024 Convertible Note") and February 2025 (the "InCarda 2025 Convertible Note"), respectively.

With the exception of the convertible notes and the warrants, we account for our investments in InCarda under the measurement alternative. Under the measurement alternative, the equity investment is initially recorded at its allocated cost, but the carrying value may be adjusted through earnings upon an impairment or when there is an observable price change involving the same or a similar investment with the same issuer. We account for the convertible note as trading securities, measured at fair value.

Our investment in InCarda does not provide us with the ability to control or have significant influence over InCarda's operations. Based on our evaluation, we determined that InCarda is a VIE, but we are not the primary beneficiary of the VIE. We have not provided financial or other support that we were not previously contractually required to provide during the periods presented. Our maximum exposure to loss is equal to the amount we invested in the entity.

As of June 30, 2025 and December 31, 2024, we recorded as equity and long-term investments in the unaudited condensed consolidated balance sheets $4.8 million in carrying amount of InCarda's Series C preferred stock and $0.1 million in fair value of the InCarda warrants.

As of June 30, 2025 and December 31, 2024, we recognized as equity and long-term investments in the unaudited condensed consolidated balance sheets $2.7 million, for InCarda's Series D-1 preferred stock, Series D-2 preferred stock, and common stock using the measurement alternative.

As of June 30, 2025, we recorded $0.9 million in fair value of the convertible notes, as equity and long-term investments in the unaudited condensed consolidated balance sheet. As of December 31, 2024, we recorded $0.4 million in fair value of convertible note as equity and long-term investments in the unaudited condensed consolidated balance sheet.

During the three and six months ended June 30, 2025 and 2024, the change to the carrying amount of our investments in InCarda was not material.

Equity and Other Investments in ImaginAb

Since March of 2021, ITH has invested $7.6 million in 8,825,301 shares of common and preferred stock, and $4.8 million in a convertible note of ImaginAb, Inc. ("ImaginAb"), a privately held biotechnology company focused on clinically managing cancer and autoimmune diseases via molecular imaging. On January 13, 2025, ITH and ImaginAb executed an amendment to extend the maturity date of the convertible note from January 31, 2025 to May 30, 2025. As of June 30, 2025, and December 31, 2024, we held an 11.8% equity interest in ImaginAb.

Our investment in ImaginAb does not provide us with the ability to control or have significant influence over ImaginAb's operations. Based on our evaluation, we determined that ImaginAb is a VIE, but we are not the primary beneficiary of the VIE. We have not provided financial or other support that we were not previously contractually required to provide during the periods presented. Our maximum exposure to loss is equal to the amount we invested in the entity.

Because ImaginAb's equity securities are not publicly traded and do not have a readily determinable fair value, we account for our investment in ImaginAb's preferred stock and common stock using the measurement alternative. As of June 30, 2025 and December 31, 2024, our investment in the preferred stock and common stock amounted to $7.6 million and was recorded as equity and long-term investments in the unaudited condensed consolidated balance sheets. There was no change in the carrying amount of our equity investments in ImaginAb during the six months ended June 30, 2025 and 2024.

In May 2025, ImaginAb fully settled the convertible note of $4.8 million for $5.1 million, including $0.3 million in accrued interest and commitment fees. Before the repayment by ImaginAb, the convertible note was accounted for as a trading security and measured at fair value using a Monte Carlo simulation model with the probability of certain qualified events and the assumptions of risk-free rate, volatility of stock price and timing of certain qualified events. As of December 31, 2024, we recorded $5.0 million in fair value of the ImaginAb convertible note as equity and long-term investments in the condensed consolidated balance sheet. Changes to the fair value of the ImaginAb convertible note for the three and six months ended June 30, 2025 were immaterial. During the three and six months ended June 30, 2024, we recorded $0.1 million and $0.3 million, respectively, in net unrealized gain on the ImaginAb Convertible Note as changes in fair values of equity and long-term investments, net in the unaudited condensed consolidated statements of income and comprehensive income.

Convertible Promissory Note in Syndeio Biosciences

Syndeio Biosciences, Inc. (formerly known as Gate Neurosciences, Inc.) ("Syndeio") is a privately held biopharmaceutical company focused on developing the next generation of targeted nervous system therapies, leveraging precision medicine approaches to develop breakthrough drugs for psychiatric and neurologic diseases. In May 2025, Gate Neurosciences, Inc. rebranded as Syndeio. From 2021 to 2024, ITH invested in Syndeio a total of $51.5 million in convertible notes (the "Syndeio 2021 Convertible Note").

On March 3, 2025, ITH entered into a Convertible Promissory Note Purchase Agreement with Syndeio to acquire a convertible promissory note (the "Syndeio 2025 Convertible Note") with a principal amount of $15.0 million. The Syndeio 2025 Convertible Note bears an annual interest rate of 8% and will mature on November 24, 2026. The Syndeio 2025 Convertible Note will convert into shares of series seed preferred stock of Syndeio upon a qualified initial public offering ("IPO"), or into shares of shadow preferred stock of Syndeio ("Shadow Preferred") upon a qualified financing. Shadow Preferred means preferred stock having identical rights, preferences and restrictions as the preferred stock that would be issued in a qualified financing.

We account for both the Syndeio 2021 Convertible Note and the Syndeio 2025 Convertible Note as trading securities, measured at fair value using a Monte Carlo simulation model with the probability of certain qualified events and the assumptions of equity value of Syndeio, risk-free rate, expected stock price, volatility of its peer companies, and the time until a financing is raised.

As of June 30, 2025, and December 31, 2024, the fair value of the Syndeio 2021 Convertible Note was estimated at $71.3 million and $50.9 million, respectively, and recorded as equity and long-term investments in the unaudited condensed consolidated balance sheets. We recorded $1.4 million and $20.5 million in unrealized gain for the three and six months ended June 30, 2025, respectively, as changes in fair values of equity and long-term investments, net in the unaudited condensed consolidated statements of income and comprehensive income. We recorded $0.3 million unrealized gain and $0.3 million unrealized loss for the three and six months ended June 30, 2024, respectively, as changes in fair values of equity and long-term investments, net in the unaudited condensed consolidated statements of income and comprehensive income.

As of June 30, 2025, the fair value of the Syndeio 2025 Convertible Note was estimated at $15.6 million and recorded as equity and long-term investments in the unaudited condensed consolidated balance sheet. We recorded $0.4 million and $0.6 million in unrealized gains for the three and six months ended June 30, 2025, respectively, as changes in fair values of equity and long-term investments, net in the unaudited condensed consolidated statement of income and comprehensive income.

Equity Investment in Nanolive

In 2022, ITH invested $10.6 million in 18,750,000 shares of the preferred stock of Nanolive SA ("Nanolive"), a Swiss privately held life sciences company focused on developing breakthrough imaging solutions that accelerate research in growth industries such as drug discovery and cell therapy. As of June 30, 2025 and December 31, 2024, we held 13.0% of Nanolive equity ownership.

Our investment in Nanolive does not provide us with the ability to control or have significant influence over Nanolive's operations. Based on our evaluation, we determined that Nanolive is a VIE, but we are not the primary beneficiary of the VIE. We have not provided financial or other support that we were not previously contractually required to provide during the periods presented. Our maximum exposure to loss is equal to the amount we invested in the entity.

Because Nanolive's equity securities are not publicly traded and do not have a readily determinable fair value, we account for our investment in Nanolive's Series C preferred stock using the measurement alternative. As of June 30, 2025 and December 31, 2024, $10.6 million was recorded as equity and long-term investments in the unaudited condensed consolidated balance sheets and there was no change to the carrying amount of our investment.

Convertible Promissory Note in Lyndra

On February 27, 2025, Strategic Partners entered into a note purchase agreement with Lyndra Therapeutics, Inc. ("Lyndra") to acquire a convertible promissory note (the "Lyndra Convertible Note") with a principal amount of $9.2 million. Lyndra is a clinical-stage company with a novel drug delivery platform that enables the administration of ultra-long-acting oral drugs. The Lyndra Convertible Note bears an annual interest rate of 8% and will mature on November 27, 2025. The Lyndra Convertible Note would convert into shares of preferred stock of Lyndra upon a qualified financing as defined in the agreement. Upon maturity or certain events and if no qualified financing has occurred, the principal and unpaid accrued interest may either be repaid in full in cash plus a certain premium or convert into shares of preferred stock of Lyndra as defined in the agreement.

Our investment in Lyndra does not provide us with the ability to control or have significant influence over Lyndra's operations. Based on our evaluation, we determined that Lyndra is a VIE, but we are not the primary beneficiary of the VIE. We have not provided financial or other support that we were not previously contractually required to provide during the periods presented. Our maximum exposure to loss is equal to the amount we invested in the entity. We account for the Lyndra Convertible Note as a trading security.

In late March of 2025, Lyndra began winding down its operations due to its inability to secure additional financing and concurrently initiated a process to seek potential acquirers for the business. We believe Lyndra's proprietary platform holds significant value – greater than the carrying value of the Lyndra Convertible Note – thereby supporting full recovery of the Lyndra Convertible Note, which is secured by a first-priority interest in Lyndra's assets.

As of June 30, 2025, we recorded the Lyndra Convertible Note at $9.2 million, reflecting its original cost, as part of equity and long-term investments in the unaudited condensed consolidated balance sheet.

Reconciliation of Equity and Long-Term Investments Balances

The following table reconciles the change in balances in "Equity and Long-Term Investments" as of each balance sheet date:

(In thousands)	Amount
Equity and long-term investments as of December 31, 2023	$ 444,432
Purchases of trading securities	63,201
Changes in fair value, net	(59,161)
Reclassification of current portion	(107,532)
Other	724
Equity and long-term investments as of December 31, 2024	341,664
Purchases of trading securities	34,674
Proceeds from trading securities	(5,097)
Net sales and purchases of investments managed by ISP Fund	(28,025)
Changes in fair value, net	(54,019)
Reclassification of current portion	7,334
Other	753
Equity and long-term investments as of June 30, 2025	$ 297,284

Available-for-Sale Securities

The estimated fair value of available-for-sale securities is based on quoted market prices for these investments that were based on prices obtained from a commercial pricing service. Available-for-sale securities are summarized below:

	June 30, 2025			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Money market funds [1]	$ 383,231	$ —	$ —	$ 383,231
Total	$ 383,231	$ —	$ —	$ 383,231

[1] Money market funds are included in cash and cash equivalents in the condensed consolidated balance sheets.

	December 31, 2024			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Money market funds [1]	$ 289,441	$ —	$ —	$ 289,441
Total	$ 289,441	$ —	$ —	$ 289,441

[1] Money market funds are included in cash and cash equivalents in the condensed consolidated balance sheets.

As of June 30, 2025 and December 31, 2024, all available-for-sale investments were money market funds, and there was no credit loss recognized.

Fair Value Measurements

Our available-for-sale securities, equity and long-term investments and contingent value rights are measured at fair value on a recurring basis and our debt is carried at amortized cost basis.

Types of Instruments (In thousands)	Estimated Fair Value Measurements as of June 30, 2025 Using: Quoted Price in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
Assets				
Money market funds	$ 383,231	$ —	$ —	$ 383,231
Investments held by ISP Fund LP	144,816	—	2,644	147,460
Equity investment - Armata Common Stock	47,646	—	—	47,646
Equity investment - Armata Warrants	—	4,180	—	4,180
Equity investment - InCarda Warrants	—	—	43	43
Term loan investment - Armata July 2023 Term Loan	—	—	31,564	31,564
Term loan investment - Armata March 2024 Term Loan	—	—	41,263	41,263
Term loan investment - Armata March 2025 Term Loan	—	—	10,475	10,475
Convertible debt investment - Armata Note	—	—	43,959	43,959
Convertible debt investment - InCarda 2024 Convertible Note	—	—	436	436
Convertible debt investment - InCarda 2025 Convertible Note	—	—	474	474
Convertible debt investment - Syndeio 2021 Convertible Note	—	—	71,342	71,342
Convertible debt investment - Syndeio 2025 Convertible Note	—	—	15,620	15,620
Convertible debt investment - Lyndra Convertible Note	—	—	9,200	9,200
Total assets measured at estimated fair value	$ 575,693	$ 4,180	$ 227,020	$ 806,893
Liabilities				
Debt				
2025 Notes	$ —	$ 237,373	$ —	$ 237,373
2028 Notes	—	265,833	—	265,833
Total fair value of debt	$ —	$ 503,206	$ —	$ 503,206

Types of Instruments (In thousands)	Estimated Fair Value Measurements as of December 31, 2024 Using: Quoted Price in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
Assets				
Money market funds	$ 289,441	$ —	$ —	$ 289,441
Investments held by ISP Fund LP	193,560	—	62,098	255,658
Equity investment - Armata Common Stock	46,392	—	—	46,392
Equity investment - Armata Warrants	—	5,901	—	5,901
Equity investment - InCarda Warrants	—	—	59	59
Term loan investment - Armata July 2023 Term Loan	—	—	30,197	30,197
Term loan investment - Armata March 2024 Term Loan	—	—	39,275	39,275
Convertible debt investment - Armata Note	—	—	42,095	42,095
Convertible debt investment - InCarda 2024 Convertible Note	—	—	436	436
Convertible debt investment - ImaginAb Note	—	—	4,950	4,950
Convertible debt investment - Syndeio 2021 Convertible Note	—	—	50,881	50,881
Total assets measured at estimated fair value	$ 529,393	$ 5,901	$ 229,991	$ 765,285
Liabilities				
Debt				
2025 Notes	$ —	$ 222,353	$ —	$ 222,353
2028 Notes	—	251,213	—	251,213
Total fair value of debt	$ —	$ 473,566	$ —	$ 473,566

There were no transfers between Level 1, Level 2 or Level 3 during the periods presented.

The fair values of our equity investments in Armata's common stock and publicly traded investments held by ISP Fund LP are based on the quoted prices in active markets and are classified as Level 1 financial instruments. The fair values of the warrants in Armata classified within Level 2 are based upon observable inputs that may include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications.

The investments classified as Level 3 financial instruments are securities that are not publicly traded and the assumptions used in the valuation model for valuing these securities are based on significant unobservable and observable inputs including those of publicly traded peer companies. There are uncertainties on the fair value measurement of the instruments classified under Level 3 due to the use of unobservable inputs and interrelationships between these unobservable inputs, which could result in higher or lower fair value measurements.

The fair values of our 2025 Notes and 2028 Notes are based on recent trading prices of the respective instruments.

7. Goodwill and Intangible Assets

Goodwill and intangible assets acquired are recognized at fair value as of the acquisition date. We recognized goodwill of $11.5 million and $6.4 million from our acquisitions of Entasis and La Jolla, respectively, in 2022. The carrying amount of goodwill as of June 30, 2025 and December 31, 2024 was $17.9 million. We have not recognized any impairment losses related to goodwill during the periods presented.

Intangible assets with definite lives are amortized over their estimated useful lives. The carrying basis and accumulated amortization of recognized intangible assets as of June 30, 2025 and December 31, 2024 were as follows:

	June 30, 2025			
(In thousands)	Useful Life (Years)	Gross Amount	Accumulated Amortization	Net Carrying Amount
Marketed products	8-10	$ 223,700	$ (58,827)	$ 164,873
In-process research and development		2,600	—	2,600
Collaboration agreement	10	35,400	(7,462)	27,938
Total		$ 261,700	$ (66,289)	$ 195,411

	December 31, 2024			
(In thousands)	Useful Life (Years)	Gross Amount	Accumulated Amortization	Net Carrying Amount
Marketed products	8-10	$ 223,700	$ (47,559)	$ 176,141
In-process research and development		2,600	—	2,600
Collaboration agreement	10	35,400	(5,708)	29,692
Total		$ 261,700	$ (53,267)	$ 208,433

Intangible assets recognized as a result of the acquisition of Entasis amounted to $106.7 million, which consisted of Entasis' in-process research and development related to its antibacterial therapeutic product candidates and a collaboration agreement amounting to $71.3 million and $35.4 million, respectively. Following the FDA approval of XACDURO® in May 2023, we started amortizing $68.7 million of the then in-process research and development as a marketed product, as well as the collaboration agreement, over their estimated useful lives. The useful life of the remaining in-process research and development of $2.6 million, which pertains to zoliflodacin, will be determined upon commercialization of the underlying product candidate; thus, no amortization expense for this intangible asset was recognized for the periods presented.

Intangible assets recognized as a result of the acquisition of La Jolla amounting to $151.0 million pertain to product rights and developed technologies on La Jolla's currently marketed products. These are intangible assets with determinable lives and are amortized over their estimated useful lives.

The upfront fee of $4.0 million paid to Basilea for the exclusive commercialization right of ZEVTERA® in the U.S. in December 2024 was recorded as an intangible asset and is being amortized over the initial term of the agreement (refer to Note 4, "License and Collaboration Arrangements").

We recognized amortization expense of $6.5 million and $13.0 million for the three and six months ended June 30, 2025, respectively. We recognized amortization expense of $6.4 million and $12.9 million for the three and six months ended June 30, 2024, respectively. Future amortization expense is expected to be $13.2 million for the remainder of 2025, $26.3 million for each of the years from 2026 to 2029 and $74.3 million thereafter.

8. Balance Sheet Components

Inventory

Inventory consisted of the following:

(in thousands)	June 30, 2025	December 31, 2024
Raw materials	$ 10,547	$ 11,113
Work-in-process	34,154	20,529
Finished goods	4,295	2,083
Total inventory	$ 48,996	$ 33,725

As of June 30, 2025 and December 31, 2024, total inventory included net fair value adjustments resulting from the acquisition of La Jolla of approximately $8.5 million and $9.2 million, respectively, which will be amortized and recognized as cost of products sold when sales occur in future periods. The fair value adjustments recorded as part of cost of products sold amounted to $0.4 million and $0.6 million for the three and six months ended June 30, 2025, respectively. The fair value adjustments recorded as part of cost of products sold amounted to $3.5 million and $10.3 million for the three and six months ended June 30, 2024, respectively.

Other Accrued Liabilities

Other accrued liabilities consisted of the following:

(in thousands)	June 30, 2025	December 31, 2024
Accrued contract manufacturing expenses	$ 560	$ 1,071
Accrued clinical and research expenses	275	611
Accrued professional services	5,279	8,682
Current portion of lease liabilities	983	1,572
Royalty obligation payable	3,112	2,951
Current portion of deferred royalty obligations	7,398	6,438
Accrued license fees and royalties	1,990	1,727
Other[(1)]	18,388	6,947
Total other accrued liabilities	$ 37,985	$ 29,999

(1) Amount as of June 30, 2025 and December 31, 2024 includes $16.1 million and $5.3 million advance payments received from our partner for inventory supply as discussed in Note 4, “License and Collaboration Arrangements”.

Other Long-term Liabilities

Other long-term liabilities consisted of the following:

(in thousands)	June 30, 2025	December 31, 2024
Long-term portion of deferred royalty obligation	$ 59,021	$ 63,096
Long-term portion of lease liabilities	1,000	1,179
Total other long-term liabilities	$ 60,021	$ 64,275

9. Stock-Based Compensation

Stock-Based Compensation Expense

The following table summarizes stock-based compensation expense:

(In thousands)	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
Selling, general and administrative	$ 2,298	$ 1,567	$ 4,326	$ 2,925
Research and development	124	76	243	173
Total	$ 2,422	$ 1,643	$ 4,569	$ 3,098

Valuation Assumptions

Black-Scholes-Merton assumptions used in calculating the estimated value of stock options granted by Innoviva on the date of grant were as follows:

	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
Risk-free interest rate	4.1% - 4.2%	4.3% - 4.6%	4.1% - 4.4%	4.1% - 4.6%
Expected term (in years)	5.50 - 6.11	5.07 - 6.13	5.50 - 6.14	5.07 - 6.15
Volatility	34.0% - 34.1%	36.0%	34.0% - 34.9%	36.0 % - 36.8%
Dividend yield	—%	—%	—%	—%
Weighted-average estimated fair value of stock options granted	$7.22 - $7.68	$6.21 - $6.71	$7.17 - $7.92	$4.97 - $6.93

10. Stockholders' Equity

On October 31, 2022, our board of directors authorized a share repurchase program under which we may repurchase up to $100.0 million of our outstanding shares of common stock. The repurchase program authorized the repurchase by the Company of its common stock in open market transactions, including pursuant to a trading plan in accordance with Rule 10b-18 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), privately negotiated transactions, in block trades, accelerated share repurchase transactions, exchange transactions, or any combination thereof or by other means in accordance with federal securities laws. The authorization permitted management to repurchase shares of the Company's common stock from time to time at management's discretion. Repurchases may also be made pursuant to a trading plan under Rule 10b5-1 under the Exchange Act, which would permit shares to be repurchased when the Company might otherwise be precluded from doing so because of self-imposed trading blackout periods or other regulatory restrictions. The share repurchase program was completed in April 2024. From January to April 2024, we repurchased 986,928 shares in the open market at an average price of $15.12 per share for a total amount of approximately $14.9 million. All repurchased shares were retired.

In April 2024, we retired all the shares held in treasury resulting from our strategic buyback of GSK's common shares in the Company in 2021. We recorded the corresponding cost of treasury stock of $393.8 million in additional paid-in capital.

11. Debt

Our debt consists of the following:

(In thousands)	June 30, 2025	December 31, 2024
2025 Notes	$ 192,000	$ 192,500
2028 Notes	261,000	261,000
Total debt	453,000	453,500
Less: Unamortized debt discount and issuance costs	(4,078)	(5,156)
Total debt, net	448,922	448,344
Less: Current portion of long-term debt, net	(191,903)	(192,028)
Total long-term debt, net	$ 257,019	$ 256,316

Convertible Senior Notes Due 2025

On August 7, 2017, we completed a private placement of $192.5 million aggregate principal amount of our 2025 Notes. The 2025 Notes were sold in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act. The 2025 Notes are senior unsecured obligations and bear interest at a rate of 2.5% per year, payable semi-annually in arrears on February 15 and August 15 of each year, beginning on February 15, 2018.

The initial conversion rate for the 2025 Notes is 57.9240 shares of our common stock per $1,000 principal amount of the 2025 Notes (which is equivalent to an initial conversion price of approximately $17.26 per share). The conversion rate is subject to customary anti-dilution adjustments in certain circumstances. The 2025 Notes will mature on August 15, 2025, unless repurchased or converted in accordance with their terms prior to such date. Prior to February 15, 2025, the 2025 Notes will be convertible at the option of the holders only upon the occurrence of specified events and during certain periods, as described below. On or after February 15, 2025, holders of the 2025 Notes may convert their 2025 Notes at any time until the close of business on the second scheduled trading day immediately preceding the maturity date of the 2025 Notes. In the event of default or a fundamental change (as defined in the indenture), holders of the 2025 Notes may require us to repurchase all or a portion of their 2025 Notes at price equal to 100% of the principal amount of the 2025 Notes, plus any accrued and unpaid interest.

In June 2025, we elected to settle the 2025 Notes in shares. Holders may convert their 2025 Notes at any time until the close of business on the second scheduled trading day immediately preceding the maturity date. During June 2025, $0.5 million of the principal amount was converted into 28,962 shares of our common stock. As of June 30, 2025, the outstanding principal amount was $192.0 million. As a result of the conversion, the annual effective interest rate has been adjusted to 2.90%.

Our outstanding 2025 Notes balances consisted of the following:

(In thousands)	June 30, 2025	December 31, 2024
Principal	$ 192,000	$ 192,500
Debt discount and issuance costs, net	(97)	(472)
Net carrying amount	$ 191,903	$ 192,028

The following table sets forth total interest expense recognized related to the 2025 Notes for the three and six months ended June 30, 2025 and 2024:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Contractual interest expense	$ 1,199	$ 1,203	$ 2,402	$ 2,406
Amortization of debt issuance costs	188	183	375	364
Total interest and amortization expense	$ 1,387	$ 1,386	$ 2,777	$ 2,770

Convertible Senior Notes Due 2028

In March 2022, we completed a private placement of $261.0 million aggregate principal amount of our 2028 Notes, which will mature on March 15, 2028.

The 2028 Notes bear interest at an annual rate of 2.125% that is payable semi-annually in arrears in cash on March 15 and September 15 of each year, beginning on September 15, 2022.

The 2028 Notes are convertible, based on the applicable conversion rate, into cash, shares of our common stock or a combination thereof, at our election. The initial conversion rate was 38.1432 shares per $1,000 principal amount of the 2028 Notes, subject to customary anti-dilution adjustment in certain circumstances, which represented an initial conversion price of approximately $26.22 per share.

Prior to September 15, 2027, the 2028 Notes will be convertible at the option of the holders only upon the occurrence of specified events and during certain periods, and will be convertible on or after September 15, 2027, at any time until the close of business on the second scheduled trading day immediately preceding the maturity date of the 2028 Notes.

Holders of the 2028 Notes may convert all or a portion of their 2028 Notes prior to the close of business on September 15, 2027, only under the following circumstances:

- after March 31, 2022, if our closing common stock price for at least 20 days out of the most recent 30 consecutive trading days of the preceding quarter is greater than 130% of the current conversion price of the 2028 Notes;
- for five consecutive business days, if the average trading price per $1,000 of Notes during the prior 10 consecutive trading days is less than 98% of the product of our closing common stock price and the conversion rate of the 2028 Notes on such day; and,
- upon the occurrence of specified corporate events, including certain distributions, the occurrence of a fundamental change (as defined in the indenture governing the 2028 Notes) or a transaction resulting in our common stock converting into other securities or property or assets.

On or after September 15, 2027, holders of the 2028 Notes may convert their 2028 Notes at any time until the close of the business on the second day immediately preceding the maturity date of the 2028 Notes.

The 2028 Notes will be redeemable, in whole or in part, at our option at any time, and from time to time, on or after March 20, 2025, and on or before the 75th scheduled trading day immediately before the maturity date but only if the last reported sale price per share of our common stock exceeds 130% of the conversion price for a specified period of time. The redemption price will be equal to the principal amount of the 2028 Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. In addition, calling any 2028 Note for redemption will constitute a make-whole fundamental change (as defined in the indenture governing the 2028 Notes) with respect to that 2028 Note, in which case the conversion rate applicable to the conversion of that 2028 Note will be increased in certain circumstances if it is converted after it is called for redemption.

If we undergo a fundamental change, subject to certain conditions, holders may require us to purchase for cash all or any portion of their 2028 Notes. The fundamental change purchase price will be 100% of the principal amount of the 2028 Notes to be purchased plus any accrued and unpaid interest to, but excluding, the fundamental change purchase date.

The indenture governing the 2028 Notes contains customary terms and covenants, including a merger covenant and that upon certain events of default occurring and continuing, either the Trustee or the holders of at least 25% of the aggregate principal amount of the outstanding Notes may declare 100% of the principal of, and accrued and unpaid interest, if any, on, all the Notes to be due and payable immediately.

In connection with the offering of the 2028 Notes, we entered into privately negotiated capped call transactions. The cap price of the capped call transaction is initially $33.9850 per share and is subject to certain adjustments under the terms of the capped call transactions. The capped call transactions cover, subject to customary adjustments, the number of shares of common stock initially underlying the 2028 Notes. The capped call transactions are expected generally to reduce potential dilution to our common stock upon conversion of the 2028 Notes or at our election (subject to certain conditions) offset any cash payments we are required to make in excess of the aggregate principal amount of converted 2028 Notes, as the case may be, with such reduction or offset subject to a cap.

The annual effective interest rate on the 2028 Notes is 2.70%.

Our outstanding 2028 Notes balance consisted of the following:

(In thousands)	June 30, 2025	December 31, 2024
Principal	$ 261,000	$ 261,000
Debt issuance costs, net	(3,981)	(4,684)
Net carrying amount	$ 257,019	$ 256,316

The following table sets forth total interest expense recognized related to the 2028 Notes for the three and six months ended June 30, 2025 and 2024:

(In thousands)	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
Contractual interest expense	$ 1,387	$ 1,387	$ 2,773	$ 2,773
Amortization of debt issuance costs	349	339	703	684
Total interest and amortization expense	$ 1,736	$ 1,726	$ 3,476	$ 3,457

Debt Maturities

The aggregate scheduled maturities of our convertible debt as of June 30, 2025 were as follows:

(In thousands)	Amount
Years ending December 31:	
Remainder of 2025	$ 192,000
2026	—
2027	—
2028	261,000
Total	$ 453,000

Deferred Royalty Obligation

As part of our acquisition of La Jolla, we recorded the fair value of its deferred royalty obligation in connection with La Jolla's royalty financing agreement ("La Jolla Royalty Agreement") with HealthCare Royalty Partners ("HCR"). Under the terms of the La Jolla Royalty Agreement, HCR is entitled to receive quarterly royalties on worldwide net sales of GIAPREZA® until either January 1, 2031 or when the maximum aggregate royalty payments have been made, whichever occurs first. Quarterly payments to HCR under the Royalty Agreement start at a maximum royalty rate, with step-downs based on the achievement of annual net product sales thresholds. The maximum royalty rate through December 31, 2023 was 14%. Starting January 1, 2024, the maximum royalty rate was increased to 18% based on the terms of the agreement. The La Jolla Royalty Agreement is subject to maximum aggregate royalty payments to HCR of $225.0 million.

For the three and six months ended June 30, 2025, we recognized interest expense of $1.5 million and $3.1 million, respectively. For the three and six months ended June 30, 2024, we recognized interest expense of $2.7 million and $5.5 million, respectively.

The carrying value of the deferred royalty obligation as of June 30, 2025 and December 31, 2024 was $66.4 million and $69.5 million, respectively (refer to Note 8, "Balance Sheet Components"). During the six months ended June 30, 2025 and 2024, we made royalty payments to HCR of $6.1 million and $4.1 million, respectively. The deferred royalty obligation was valued using Level 3 inputs, and its carrying value as of June 30, 2025 approximates fair value. The fair value of the deferred royalty obligation was calculated as the discounted deferred royalty obligations based on risk-adjusted revenue projections for GIAPREZA®. The annual effective interest rate of the deferred royalty obligation for the current period is 9.41%.

Under the terms of the La Jolla Royalty Agreement, if we are unable to meet certain obligations, including the obligation to use commercially reasonable and diligent efforts to commercialize GIAPREZA®, HCR would have the right to terminate the La Jolla Royalty Agreement and demand payment of either $125.0 million or $225.0 million (depending on which obligation we have failed to meet) less aggregate royalties already paid to HCR. As of June 30, 2025, inclusive of the aggregate royalties paid to HCR by La Jolla under the La Jolla Royalty Agreement prior to our acquisition, La Jolla paid $33.3 million of aggregate royalties to HCR. In the event that we fail to pay such amount if and when due in a timely manner, HCR would have the right to foreclose on the GIAPREZA®-related assets. HCR has no recourse against any asset other than GIAPREZA®.

Certain contract provisions within the La Jolla Royalty Agreement that could result in an acceleration of amounts due under the La Jolla Royalty Agreement are recognized as embedded derivatives that require bifurcation from the deferred royalty obligation and fair value recognition. We determined the fair value of each derivative by assessing the probability of each event occurring, as well as the potential repayment amounts and timing of such repayments that would result under various scenarios. As a result of this assessment, we determined that the fair value of the embedded derivatives is immaterial and, therefore, not recognized as of June 30, 2025 and December 31, 2024. We estimate the fair value of the embedded derivatives for each reporting period until either the features lapse or the La Jolla Royalty Agreement is terminated, whichever occurs first. Any material change in the fair value of the embedded derivatives will be recorded as either a gain or loss in the unaudited condensed consolidated statements of income and comprehensive income.

12. Commitments and Contingencies

Operating Lease

We have operating leases for our corporate headquarters, office spaces and laboratory facilities.

The components of lease cost are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	**2025**	**2024**	**2025**	**2024**
Straight line operating lease costs	$ 302	$ 279	$ 604	$ 596
Variable lease costs	3	8	5	12
Total lease costs	$ 305	$ 287	$ 609	$ 608

Supplemental cash flow information related to leases is as follows:

(In thousands)	Six Months Ended June 30, 2025	2024
Cash paid for amounts included in the measurement of operating lease liabilities	$ 849	$ 673
Operating lease right-of-use asset obtained in exchange for operating lease obligations	$ —	$ 1,156

As of June 30, 2025, our operating leases have weighted-average remaining term of approximately 2.5 years and the weighted average discount rate on our operating lease liabilities was 7.0 %.

Future minimum payments on our operating leases as of June 30, 2025 were as follows:

(In thousands)	Amount
Years ending December 31:	
Remainder of 2025	$ 855
2026	435
2027	455
2028	326
2029	83
Total undiscounted lease payments	2,154
Less: imputed interest	(171)
Total operating lease liabilities	$ 1,983

Purchase Commitments

In April 2024, we entered into a Commercial Supply Agreement with Corden Pharma CHENÔVE SAS ("Corden"), under which we engaged Corden to manufacture and supply certain products related to XACDURO® and to perform certain services and studies. Under the agreement, we committed to minimum purchase commitments through December 31, 2027. As of June 30, 2025, we have approximately $6.5 million, $7.3 million and $5.9 million in outstanding purchase commitments under the agreement for the remainder of 2025 and for the years 2026 and 2027, respectively.

Legal Proceedings

From time to time, the Company is involved in legal proceedings in the ordinary course of its business. We are not currently a party to any material legal proceedings except as discussed below.

On February 15, 2022, La Jolla received a paragraph IV notice of certification (the "First Notice Letter") from Gland Pharma Limited ("Gland") advising that Gland had submitted an Abbreviated New Drug Application ("ANDA") to the FDA seeking approval to manufacture, use or sell a generic version of GIAPREZA® in the U.S. prior to the expiration of U.S. Patent Nos.: 9,220,745; 9,572,856; 9,867,863; 10,028,995; 10,335,451; 10,493,124; 10,500,247; 10,548,943; 11,096,983; and 11,219,662 (the "GIAPREZA® Patents"), which are listed in the FDA's Approved Drug Products with Therapeutic Equivalence Evaluations (the "Orange Book"). The First Notice Letter alleges that the GIAPREZA® Patents are invalid, unenforceable and/or will not be infringed by the commercial manufacture, use or sale of the generic product described in Gland's ANDA.

On March 29, 2022, La Jolla filed a complaint for patent infringement of the GIAPREZA® Patents against Gland and certain related entities in the United States District Court for the District of New Jersey in response to Gland's ANDA filing. In accordance with the Hatch-Waxman Act, because GIAPREZA® is a new chemical entity and La Jolla filed a complaint for patent infringement within 45 days of receipt of the First Notice Letter, the FDA cannot approve Gland's ANDA any earlier than 7.5 years from the approval of the GIAPREZA® NDA unless the District Court finds that all of the asserted claims of the patents-in-suit are invalid, unenforceable and/or not infringed.

On February 22, 2023, La Jolla received a paragraph IV notice of certification (the "Second Notice Letter") from Gland advising that Gland had amended its ANDA filing to include a paragraph IV certification alleging that all claims of the newly-issued and Orange Book-listed U.S. Patent No. 11,559,559 (the "'559 Patent"), which covers GIAPREZA®, are invalid, unenforceable and/or not infringed.

On March 22, 2023, La Jolla filed a First Amended Complaint in this litigation adding Gland's marketing and distribution partners for its ANDA angiotensin II product, Fresenius Kabi USA LLC and Fresenius Kabi SwissBiosim GmbH (collectively, the "Fresenius Kabi Defendants"), as co-defendants. On April 7, 2023, La Jolla filed a Second Amended Complaint in response to the Second Notice Letter, adding claims that the manufacture, use, sale, offer for sale, or import of Gland's ANDA angiotensin II product will infringe the '559 Patent. On November 14, 2023, La Jolla filed a Third Amended Complaint adding additional infringement claims against the Fresenius Kabi Defendants.

On February 18, 2025, La Jolla, as well as The George Washington University (collectively, with the La Jolla entities, the "Plaintiffs") entered into a settlement agreement (the "Settlement Agreement") with Gland and the Fresenius Kabi Defendants (collectively, "Defendants") resolving the Hatch-Waxman Act concerning Gland's ANDA filing. Under the terms of the Settlement Agreement, Plaintiffs granted Defendants a perpetual, royalty-free and fully paid-up, non-exclusive, non-sublicensable, non-transferable right and license solely to make, have made, use, sell, offer to sell, import, and/or distribute the product that is subject to Gland's ANDA in the United States commencing in the early 2030s, subject to certain exceptions as is customary in these type of agreements.

As required by law, the settlement is subject to review by the U.S. Department of Justice and the Federal Trade Commission.

Indemnification and Other Contingencies

In the ordinary course of business, we may provide indemnifications of varying scope and terms to vendors, directors, officers, and other parties with respect to certain matters, including, but not limited to, losses arising out of breach of such agreements, services to be provided by us, our negligence or willful misconduct, violations of law, or intellectual property infringement claims made by third parties. In addition, we have entered into indemnification agreements with directors and certain officers and employees that will require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers, or employees. No material demands have been made upon us to provide indemnification under such agreements, and thus, there are no claims that we are aware of that could have a material effect on our unaudited condensed consolidated financial statements. We also maintain director and officer insurance, which may cover certain liabilities arising from our obligation to indemnify our directors. To date, we have not incurred any material costs and, as of June 30, 2025, we have not accrued any material liabilities in the unaudited condensed consolidated financial statements as a result of these provisions.

13. Income Taxes

We recorded income tax expense of $8.9 million and $16.9 million for the three and six months ended June 30, 2025, respectively, compared to an income tax benefit of $4.6 million for the three months ended June 30, 2024 and an income tax expense of $4.0 million for the six months ended June 30, 2024. The Company's effective income tax rate for the six months ended June 30, 2025 was 49.7% compared to 68.4% for the same period in 2024. The income tax expense for the six months ended June 30, 2025 and 2024 was determined based upon estimates of the Company's effective income tax rates in various jurisdictions. Our effective tax rate for the six months ended June 30, 2025 was higher than the expense computed at the U.S. federal statutory income tax rate due primarily to valuation allowance against unrealized investment losses, state income taxes and nondeductible expenses, partially offset by foreign-derived intangible income tax deduction and research and development credits.

14. Segment Reporting

We operate as a single operating and reportable segment, focused on creating value for our stockholders. We achieve this by maximizing the value of our respiratory royalty portfolio and growing our investments in innovative healthcare assets that address critical unmet medical needs.

Our Chief Executive Officer, as the chief operating decision-maker ("CODM"), evaluates the company's financial performance and operational efficiency using consolidated net income (loss). This helps guide decisions related to commercial operations, product development, and regulatory compliance, ensuring resources are allocated effectively to support growth initiatives. Consolidated net income (loss) also helps inform reinvestment strategies to strengthen our market position and drive innovation.

The accounting policies of the segment are the same as those described in Note 1, "Description of Operations and Summary of Significant Accounting Policies".

Our revenues are generated primarily from our collaborative arrangements and royalty payments from GSK, located in Great Britain. We also generate revenue from net product sales of GIAPREZA®, XERAVA®, XACDURO®, and ZEVTERA®, as well as license and other revenues. Refer to Note 3, "Revenue Recognition", for more information on our revenues for the periods presented.

Our long-term assets are located within the United States. The CODM does not review assets at a different level or category than the amounts disclosed in the consolidated balance sheets.

The table below presents the financial information used by the CODM to assess performance, which reconciles to the consolidated net income (loss):

(In thousands)	Three months ended June 30, 2025	Three months ended June 30, 2024	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
Total revenue	$ 100,283	$ 99,898	$ 188,915	$ 177,397
Less:				
Cost of products sold	10,590	8,472	19,432	19,443
Amortization of acquired intangible assets	6,547	6,440	13,022	12,880
Selling and marketing	8,147	7,921	16,218	17,184
General and administrative	18,265	19,819	37,685	40,961
Research and development - External services and expenses	6,782	630	9,833	2,280
Research and development - Internal expenses	1,201	1,930	2,546	4,158
Changes in fair values of equity method investments, net	(13,082)	60,108	467	24,766
Changes in fair values of equity and long-term investments, net	(11,280)	30,556	54,019	43,891
Interest and dividend income	(4,925)	(3,474)	(9,463)	(7,873)
Interest expense	4,663	5,802	9,374	11,653
Other expense, net	777	973	1,773	2,209
Income tax expense (benefit), net	8,910	(4,594)	16,905	3,998
Consolidated net income (loss)	$ 63,688	$ (34,685)	$ 17,104	$ 1,847

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

Forward-Looking Statements

The information in this Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended ("Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements involve substantial risks, uncertainties, and assumptions. All statements contained herein, other than statements of historical fact, including, without limitation, statements regarding our strategy, future operations, future financial position, future revenue, projected costs, prospects, plans, intentions, expectations, goals and objectives may be forward-looking statements. The words "anticipates," "believes," "could," "designed," "estimates," "expects," "goal," "intends," "may," "objective," "plans," "projects," "pursuing," "will," "would" and similar expressions (including the negatives thereof) are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We may not actually achieve the plans, intentions, expectations or objectives disclosed in our forward-looking statements and the assumptions underlying our forward-looking statements may prove incorrect. Therefore, you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions, expectations and objectives disclosed in the forward-looking statements that we make. All written and verbal forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

Important factors that we believe could cause actual results or events to differ materially from our forward-looking statements include, but are not limited to, risks related to: lower than expected future royalty revenue from respiratory products partnered with GSK, the commercialization of RELVAR®/BREO® ELLIPTA®, ANORO® ELLIPTA®, GIAPREZA®, XERAVA®, XACDURO®, and ZEVTERA® in the jurisdictions in which these products have been approved; the strategies, plans and objectives of the Company (including the Company's growth strategy and corporate development initiatives); the timing, manner, and amount of potential capital returns to shareholders; the status and timing of clinical studies, data analysis and communication of results; the potential benefits and mechanisms of action of product candidates; expectations for product candidates through development and commercialization; the timing of regulatory approval of product candidates; and projections of revenue, expenses and other financial items; the impact of the novel coronavirus ("COVID-19"); the timing, manner and amount of capital deployment, including potential capital returns to stockholders; and risks related to the Company's growth strategy and risks discussed in "Risk Factors" in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2024 filed with the Securities and Exchange Commission ("SEC") on February 26, 2025, and as amended on March 24, 2025 ("2024 Form 10-K"), and Item 1A of Part II of our Quarterly Reports on Form 10-Q and below in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Item 2 of Part I. All forward-looking statements in this Quarterly Report on Form 10-Q are based on current expectations as of the date hereof and we do not assume any obligation to update any forward-looking statements on account of new information, future events or otherwise, except as required by law.

We encourage you to read our unaudited condensed consolidated financial statements contained in this Quarterly Report on Form 10-Q. We also encourage you to read Item 1A of Part I of our 2024 Form 10-K and Item 1A of Part II of our Quarterly Reports on Form 10-Q entitled "Risk Factors," which contain a more complete discussion of the risks and uncertainties associated with our business. In addition to the risks described above and in Item 1A of Part I of our 2024 Form 10-K and Item 1A of Part II of this report, other unknown or unpredictable factors also could affect our results. Therefore, the information in this report should be read together with other reports and documents that we file with the SEC from time to time, including on Form 10-K, Form 10-Q and Form 8-K, which may supplement, modify, supersede or update those risk factors. As a result of these factors, we cannot assure you that the forward-looking statements in this report will prove to be accurate. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame, or at all.

OVERVIEW

Executive Summary

Innoviva, Inc. (and where context requires, together with its subsidiaries referred to as "Innoviva", the "Company", or "we" and other similar pronouns) is a company with a core royalties portfolio, a leading critical care and infectious disease platform known as Innoviva Specialty Therapeutics ("IST"), and a portfolio of strategic investments in other healthcare assets.

Our royalty portfolio contains respiratory assets partnered with Glaxo Group Limited ("GSK"), including RELVAR®/BREO® ELLIPTA® (fluticasone furoate/vilanterol, "FF/VI") and ANORO® ELLIPTA® (umeclidinium bromide/ vilanterol, "UMEC/VI"). Under the Long-Acting Beta2 Agonist ("LABA") Collaboration Agreement, Innoviva is entitled to receive royalties from GSK on sales of RELVAR®/BREO® ELLIPTA® as follows: 15% on the first $3.0 billion of annual global net sales and 5% for all annual global net sales above $3.0 billion; and royalties from the sales of ANORO® ELLIPTA®, which tier upward at a range from 6.5% to 10%.

Our commercial and marketed products also include GIAPREZA® (angiotensin II) approved to increase blood pressure in adults with septic or other distributive shock, XERAVA® (eravacycline) approved for the treatment of complicated intra-abdominal infections in adults, and XACDURO® (formerly known as sulbactam-durlobactam or SUL-DUR) approved for the treatment of hospital-acquired and ventilator-associated pneumonias caused by *Acinetobacter* in adults. In addition, ZEVTERA® (ceftobiprole), an advanced-generation cephalosporin antibiotic, is exclusively commercialized by us in the U.S. under a distribution and license agreement with Basilea Pharmaceutica Ltd., ("Basilea"), which we entered into in December 2024. We continue to advance our pipeline, zoliflodacin, a potentially first-in-class, single-dose oral treatment for uncomplicated gonorrhea. In June 2025, the U.S. Food and Drug Administration ("FDA") accepted the new drug application ("NDA") for zoliflodacin, which has received Qualified Infectious Disease Product designation ("QIDP"), granting it priority review and the potential for extended market exclusivity. We have established a wholly owned critical care and infectious disease operating platform, anchored by four differentiated commercial products and supported by a promising late-stage development asset.

Additionally, we strategically deploy capital and maintain economic interests in various healthcare companies, including a significant equity stake in Armata Pharmaceuticals ("Armata"), a company focused on development of bacteriophages with potential use across a range of infectious and other serious diseases.

Our corporate strategy is currently focused on increasing stockholder value by, among other things, maximizing the potential value of our respiratory assets partnered with GSK, optimizing our operations and augmenting capital allocation. We continue to diversify our royalty management business through actively pursuing opportunistic acquisitions of promising companies and assets in the healthcare industry and enhancing the returns on our capital.

Second Quarter 2025 and Recent Highlights:

Financial Highlights

- Royalty revenue: Second quarter 2025 gross royalty revenue from GSK was $67.3 million, compared to $67.2 million for the second quarter 2024.
- Net product sales: Second quarter 2025 net product sales totaled $35.5 million, consisting of $29.0 million in U.S. net product sales and $6.5 million in ex-U.S. net product sales, compared to $21.7 million in net product sales for the second quarter 2024. U.S. net product sales included $17.0 million from GIAPREZA®, $8.5 million from XACDURO®, $3.1 million from XERAVA®, and $0.3 million from ZEVTERA®, representing a 54% increase compared to total U.S. net product sales of $18.8 million in the second quarter 2024.
- Income from operations: Second quarter 2025 income from operations was $48.8 million, a decrease of 11% from $54.7 million in the second quarter 2024, primarily due to a non-recurring milestone payment and cost-sharing reimbursement from our partner in 2024, as well as increased research and development costs for zoliflodacin in preparation for potential FDA approval in 2025.
- Equity and long-term investments: Second quarter 2025 net favorable changes in fair values of equity and long-term investments totaled $24.4 million, compared to unfavorable changes of $90.7 million in the second quarter 2024, were primarily due to share price appreciation of Armata and other equity investments.
- Net income: Second quarter 2025 net income was $63.7 million, or $1.01 basic per share, compared to a net loss of $34.7 million, or ($0.55) basic per share, for the second quarter 2024.
- Cash and cash equivalents: Totaled $397.5 million. Royalty and net product sales receivables totaled $88.3 million as of June 30, 2025.

Key Business and R&D Highlights

- ZEVTERA® (ceftibiprole): an advanced-generation cephalosporin antibiotic approved in the U.S. for three specific indications – *Staphylococcus aureus* bloodstream infections (bacteremia) (SAB) in adults, including right-sided infective endocarditis, acute bacterial skin and skin structure infections (ABSSSI) in adults, and community-acquired bacterial pneumonia (CABP) in adults and pediatric patients (3 months to less than 18 years old).

    - IST commercially launched ZEVTERA® in the U.S. in July 2025.

- Zoliflodacin: an investigational, first-in-class, single oral dose, spiropyrimidinetrione antibiotic for the treatment of uncomplicated gonorrhea in adults and pediatric patients 12 years and older. It is being developed in partnership with The Global Antibiotic Research & Development Partnership ("GARDP").

    - In June 2025, the FDA accepted the zoliflodacin NDA, granted Priority Review and assigned a PDUFA target action date of December 15, 2025.

    - Subsequent to the NDA acceptance, the FDA indicated in its Day-74 letter that it did not plan to hold an Advisory Committee meeting to discuss the zoliflodacin NDA.

- **Update on Strategic Healthcare Assets**

    - Innoviva's portfolio of strategic assets held through the Company's various subsidiaries was valued at $449.3 million as of June 30, 2025.

Collaboration Arrangement with GSK

LABA Collaboration

In November 2002, we entered into the LABA collaboration with GSK to develop and commercialize once-daily LABA products for the treatment of chronic obstructive pulmonary disorder ("COPD") and asthma (the "LABA Collaboration Agreement"). For the treatment of COPD, the collaboration has developed the following combination products:

- RELVAR®/BREO® ELLIPTA® ("FF/VI") (BREO® ELLIPTA® is the proprietary name in the U.S. and Canada and RELVAR® ELLIPTA® is the proprietary name outside the U.S. and Canada), a once-daily combination medicine consisting of a LABA, vilanterol (VI), and an inhaled corticosteroid ("ICS"), fluticasone furoate ("FF"), and

- ANORO® ELLIPTA® ("UMEC/VI"), a once-daily medicine combining a long-acting muscarinic antagonist ("LAMA"), umeclidinium bromide ("UMEC"), with a LABA, vilanterol (VI).

As a result of the launch and approval of RELVAR®/BREO® ELLIPTA® and ANORO® ELLIPTA® in the U.S., Japan and Europe, in accordance with the LABA Collaboration Agreement, we paid milestone fees to GSK totaling $220.0 million during the year ended December 31, 2014. Although we have no further milestone payment obligations to GSK pursuant to the LABA Collaboration Agreement, we continue to have ongoing commercialization activities under the LABA Collaboration Agreement, including participation in the joint steering committee that are expected to continue over the life of the agreement. The milestone fees paid to GSK were recognized as capitalized fees, which are being amortized over their estimated useful lives commencing upon the commercial launch of the products.

Critical Accounting Policies and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported revenue generated and expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe there have been no significant changes in our critical accounting policies as described in the Form 10-K for the year ended December 31, 2024 filed with the SEC on February 26, 2025, and as amended on March 24, 2025.

Results of Operations

Net Revenue

Royalty Revenue

Total royalty revenue, net, as compared to the prior year period, was as follows:

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
(In thousands)	2025	2024	$	%	2025	2024	$	%
Royalties - RELVAR/BREO	$ 54,737	$ 53,980	$ 757	1%	$ 105,627	$ 106,118	$ (491)	—%
Royalties - ANORO	12,599	13,218	(619)	(5)%	22,972	22,951	21	—%
Total royalties	67,336	67,198	138	—%	128,599	129,069	(470)	—%
Less: amortization of capitalized fees paid	(3,456)	(3,456)	—	*	(6,912)	(6,912)	—	*
Total royalty revenue, net	$ 63,880	$ 63,742	$ 138	—%	$ 121,687	$ 122,157	$ (470)	—%

*Not Meaningful

Total royalty revenue, net, remained relatively consistent for the three and six months ended June 30, 2025, compared to the same periods a year ago.

Net Product Sales

Total product sales, net, as compared to prior year period, were as follows:

(In thousands)	Three Months Ended June 30, 2025	2024	Change $	Change %	Six Months Ended June 30, 2025	2024	Change $	Change %
U.S.								
GIAPREZA®	$ 16,988	$ 12,511	$ 4,477	36%	$ 34,367	$ 24,460	$ 9,907	41%
XACDURO®	8,507	2,344	6,163	263%	14,322	4,499	9,823	218%
XERAVA®	3,129	3,965	(836)	(21)%	6,363	7,251	(888)	(12)%
ZEVTERA®	339	—	339	*	339	—	339	*
Total U.S.	28,963	18,820	10,143	54%	55,391	36,210	19,181	53%
Rest of the world								
GIAPREZA®	341	598	(257)	(43)%	1,235	730	505	69%
XACDURO®	2,224	—	2,224	*	4,192	80	4,112	*
XERAVA®	3,965	2,233	1,732	78%	4,954	3,715	1,239	33%
Total rest of the world	6,530	2,831	3,699	131%	10,381	4,525	5,856	129%
Total net product sales	$ 35,493	$ 21,651	$ 13,842	64%	$ 65,772	$ 40,735	$ 25,037	61%

*Not Meaningful

Our net product sales increased during the periods presented, driven by higher sales volume resulting from our strategic commercialization efforts and dedication to delivering our critical care products to healthcare systems.

License Revenue

License revenue for the three and six months ended June 30, 2025, which was derived primarily from the Amended Zai Agreement and Zai Manufacturing Stage Transfer Agreement, totaled $0.9 million and $1.5 million, respectively. In the second quarter of 2024, we recognized $8.0 million in license revenue upon the achievement of a regulatory milestone in China under our license agreement with Zai Lab, and $6.5 million in license revenue under the Amended Zai Agreement.

Cost of Products Sold

Cost of products sold, as compared to the prior year period, was as follows:

(In thousands)	Three Months Ended June 30, 2025	2024	Change $	Change %	Six Months Ended June 30, 2025	2024	Change $	Change %
Cost of products sold	$ 10,590	$ 8,472	$ 2,118	25%	$ 19,432	$ 19,443	$ (11)	—%

Our inventory includes net fair value adjustments resulting from the acquisition of La Jolla, which are being amortized and recognized as cost of products sold when sales occur. The fair value adjustments recorded as part of cost of products sold amounted to $0.4 million and $0.6 million for the three and six months ended June 30, 2025, respectively, and $3.5 million and $10.3 million for the three and six months ended June 30, 2024, respectively.

Excluding the impact of the amortized fair value adjustments, our cost of products sold increased during the three and six months ended June 30, 2025 compared to the same periods in 2024 as a result of higher sales volume. As of June 30, 2025, our total inventory included the remaining net fair value adjustments resulting from the acquisition of La Jolla of approximately $8.5 million, which will be recognized as cost of products sold when sales occur in future periods.

Research and Development

Research and development expenses, as compared to the prior year period, were as follows:

(in thousands)	Three Months Ended June 30, 2025	2024	Change $	%	Six Months Ended June 30, 2025	2024	Change $	%
Compensation and related personnel costs	$ 1,179	$ 1,533	$ (354)	(23)%	$ 2,483	$ 3,093	$ (610)	(20)%
External services and expenses	6,782	630	6,152	*	9,833	2,280	7,553	331%
Facilities related	(28)	217	(245)	(113)%	(20)	654	(674)	(103)%
Other	50	180	(130)	(72)%	83	411	(328)	(80)%
Total research and development expense	$ 7,983	$ 2,560	$ 5,423	212%	$ 12,379	$ 6,438	$ 5,941	92%

*Not Meaningful

Research and development expenses for the three and six months ended June 30, 2025, which consisted primarily of the continued advancement of our product candidate, zoliflodacin, were $8.0 million and $12.4 million, respectively. Research and development expenses for the three and six months ended June 30, 2024, which were mainly attributable to post-marketing commitments required by the FDA and ongoing product developments, were $2.6 million and $6.4 million, respectively.

Selling, General & Administrative

Selling, general and administrative expenses, as compared to the prior year period, were as follows:

(In thousands)	Three Months Ended June 30, 2025	2024	Change $	%	Six Months Ended June 30, 2025	2024	Change $	%
Selling, general and administrative	$ 26,412	$ 27,740	$ (1,328)	(5)%	$ 53,903	$ 58,145	$ (4,242)	(7)%

Our selling, general and administrative expenses are primarily incurred as a result of our ongoing efforts to promote our marketed critical care products and drive revenue, maintain regulatory compliance, and support essential administrative functions for general operations. Selling, general and administrative expenses decreased for the three and six months ended June 30, 2025, compared to the corresponding periods in 2024, during which incremental efforts and expenditures were associated with the commercial launch of XACDURO®.

Interest and Dividend Income and Other Expense, Net

Interest and dividend income and other expense, net, as compared to the prior year period, was as follows:

(In thousands)	Three Months Ended June 30, 2025	2024	Change $	%	Six Months Ended June 30, 2025	2024	Change $	%
Interest and dividend income	$ 4,925	$ 3,474	$ 1,451	42%	$ 9,463	$ 7,873	$ 1,590	20%
Other expense, net	$ (777)	$ (973)	$ 196	(20)%	$ (1,773)	$ (2,209)	$ 436	(20)%

Interest and dividend income increased for the three and six months ended June 30, 2025, compared to the same periods in 2024, due to higher average balances of our cash equivalents, money market funds and other interest-bearing investments.

Other expense, net, was primarily expenses incurred by ISP Fund LP.

Interest Expense

Interest expense, as compared to the prior year period, was as follows:

(In thousands)	Three Months Ended June 30, 2025	2024	Change $	%	Six Months Ended June 30, 2025	2024	Change $	%
Interest expense	$ (4,663)	$ (5,802)	$ 1,139	(20)%	$ (9,374)	$ (11,653)	$ 2,279	(20)%

Our interest expense for the three and six months ended June 30, 2025 and 2024 comprised mainly of the contractual interest expense and the amortization of debt issuance costs for our 2025 Notes and 2028 Notes, as well as effective interest expense on our deferred royalty obligation related to GIAPREZA®. The decrease for the three and six months ended June 30, 2025, compared to the same period in 2024, was mainly due to lower interest expense on our deferred royalty obligation as a result of higher sales performance of GIAPREZA®.

Changes in Fair Values of Equity Method Investments and Equity and Long-Term Investments

Changes in fair values of equity and long-term investments, as compared to the prior year periods, were as follows:

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
(In thousands)	2025	2024	$	%	2025	2024	$	%
Changes in fair values of equity method investments, net	$ 13,082	$ (60,108)	$ 73,190	(122)%	$ (467)	$ (24,766)	$ 24,299	(98)%
Changes in fair values of equity and long-term investments, net	$ 11,280	$ (30,556)	$ 41,836	(137)%	$ (54,019)	$ (43,891)	$ (10,128)	23%

The changes in fair values of equity method investments for the three and six months ended June 30, 2025 were driven by fluctuations in Armata's stock price between the reporting periods. We recorded $13.1 million in unrealized gain and $0.5 million in unrealized loss for the three and six months ended June 30, 2025, respectively, compared to $60.1 million and $24.8 million in unrealized loss for the three and six months ended June 30, 2024, respectively.

The changes in fair values of other equity and long-term investments primarily reflected the realized gains and losses and net unrealized gains and losses in our strategic investments in Armata, InCarda, Gate, ImaginAb, Lyndra and those investments managed by ISP Fund LP. We recorded $0.3 million in net positive changes and $83.4 million in net negative changes in fair values of equity and long-term investments related to the investments managed by ISP Fund LP for the three and six months ended June 30, 2025, respectively. We also recorded $9.0 million and $5.7 million net positive changes in fair values of equity and long-term investments for the three and six months ended June 30, 2025, respectively, related to other long-term investments we made in Armata, and net positive changes in fair value of our investments in Syndeio of $1.8 million and $21.1 million for the three and six months ended June 30, 2025, respectively.

Provision for Income Taxes

We recorded income tax expense of $8.9 million and $16.9 million for the three and six months ended June 30, 2025, respectively, compared to an income tax benefit of $4.6 million and an income tax expense of $4.0 million for the three and six months ended June 30, 2024. The effective income tax rate for the six months ended June 30, 2025 and 2024 was 49.7% and 68.4%, respectively.

Liquidity and Capital Resources

Liquidity

Since our inception, we have financed our operations primarily through private placements and public offerings of equity and debt securities and payments received under collaboration arrangement. For the six months ended June 30, 2025, we generated gross royalty revenues from GSK of $128.6 million, net product sales of $65.8 million and license revenue of $1.5 million. Net cash and cash equivalents totaled $397.5 million, royalties receivable from GSK totaled $67.3 million and accounts receivable associated with our product sales and license revenue totaled $20.9 million as of June 30, 2025.

Adequacy of Cash Resources to Meet Future Needs

We believe that our cash and cash equivalents will be sufficient to meet our anticipated debt service and operating needs, as well our ongoing share repurchase program, for at least the next 12 months based upon current operating plans and financial forecasts. Our long-term capital requirements will depend on many factors including the amount of our royalty revenues, sales growth of our currently marketed products, timing of regulatory approval of our product candidates and outcome of our acquisitions and strategic investments. If our current operating plans and financial forecasts change, we may require additional funding sooner in the form of public or private equity offerings or debt financings. Furthermore, if in our view favorable financing opportunities arise, we may seek additional funding in the form of public or private equity offerings or debt financings at any time. However, future financing may not

be available in amounts or on terms acceptable to us, if at all. This could leave us without adequate financial resources to fund our operations as currently planned. In addition, from time to time we may restructure or reduce our debt, including through privately negotiated repurchases, tender offers, redemptions, amendments, or otherwise, all allowable with the terms of our debt agreements.

Cash Flows

Cash flows, as compared to the prior year period, were as follows:

	Six Months Ended June 30,		
(In thousands)	**2025**	**2024**	**Change**
Net cash provided by operating activities	$ 92,690	$ 80,765	$ 11,925
Net cash used in investing activities	$ (1,552)	$ (43,038)	$ 41,486
Net cash provided by (used in) financing activities	$ 1,430	$ (14,237)	$ 15,667

Cash Flows from Operating Activities

Net cash provided by operating activities for the six months ended June 30, 2025 was $92.7 million, consisting primarily of our net income of $17.1 million, adjusted for net non-cash items, which included $54.5 million in changes in fair value of our investments, $13.0 million of amortization of acquired intangible assets, $7.0 million of amortization of capitalized fees and depreciation of property and equipment, $4.6 million of stock-based compensation and $1.1 million in amortization of debt discount and issuance costs, partially offset by $4.7 million in net changes in operating assets and liabilities.

Net cash provided by operating activities for the six months ended June 30, 2024 was $80.8 million, consisting primarily of our net income of $1.8 million, adjusted for net non-cash items, which included $68.7 million in changes in fair value of our investments, $12.9 million of amortization of acquired intangible assets, $10.3 million of amortization of inventory fair value step-up adjustment, $7.0 million of amortization of capitalized fees and depreciation of property and equipment, partially offset by $12.0 million of deferred income taxes and $11.9 million in net changes in operating assets and liabilities.

Cash Flows from Investing Activities

Net cash used in investing activities for the six months ended June 30, 2025 of $1.6 million primarily consisted of $34.7 million in purchases of trading securities, partially offset by $28.0 million in sales of equity investments and net purchases and sales of other investments managed by ISP Fund LP and $5.1 million in proceeds from trading securities.

Net cash used in investing activities for the six months ended June 30, 2024 of $43.0 million primarily consisted of $43.1 million in purchases of trading securities and $30.9 million in purchases of equity and long-term investments managed by ISP Fund LP. The use of cash for investing activities was partially offset by proceeds of $24.9 million from net sales of other investments managed by ISP Fund LP and $6.0 million from the sales of equity investments managed by ISP Fund LP.

Cash Flows from Financing Activities

Net cash provided by financing activities for the six months ended June 30, 2025 of $1.4 million was primarily due to net proceeds from issuances of common stock, partially offset by the repurchase of shares to satisfy tax withholding.

Net cash used in financing activities for the six months ended June 30, 2024 of $14.2 million was primarily due to $14.8 million for the repurchase of common stock under our stock repurchase program which concluded in April 2024.

Contractual Obligations

As of June 30, 2025, our notes payable obligation included $192.0 million related to our 2025 Notes and $261.0 million related to our 2028 Notes, which are due in 2025 and 2028, respectively. Under the terms of the 2025 Notes and 2028 Notes, we make interest payments of 2.5% and 2.125%, respectively, of outstanding principal. Refer to Note 11, “Debt” to the Condensed Consolidated Financial Statements for more information.

Our short-term and long-term obligations also include contractual payments related to our operating leases amounting to $2.2 million, with approximately $0.9 million payable through December 31, 2025, and approximately $1.3 million payable through 2029. Refer to Note 12, “Commitments and Contingencies” to the Condensed Consolidated Financial Statements for more information.

As part of our acquisition of La Jolla, we recognized its deferred royalty obligation in connection with the La Jolla Royalty Agreement with HCR. Under the terms of the Agreement, HCR is entitled to receive quarterly royalties on worldwide net sales of GIAPREZA® until either January 1, 2031 or when the maximum aggregate royalty payments have been made, whichever occurs first. Quarterly payments to HCR under the Royalty Agreement start at a maximum royalty rate, with step-downs based on the achievement of annual net product sales thresholds. The maximum royalty rate is 18% based on the terms of the agreement. The La Jolla Royalty Agreement is subject to maximum aggregate royalty payments to HCR of $225.0 million.

Additionally, we have certain contingent payment obligations under various in-license agreements which we are required to make royalty payments or milestone payments upon successful completion and achievement of certain milestones. Refer to Note 4, "License and Collaboration Arrangements" to the Condensed Consolidated Financial Statements for more information.

We also entered into a Commercial Supply Agreement with Corden Pharma CHENÔVE SAS ("Corden"), under which we engaged Corden to manufacture and supply certain products related to XACDURO® and to perform certain services and studies. Under the agreement, we committed to minimum purchase commitments through December 31, 2027. As of June 30, 2025, we have approximately $19.7 million in outstanding purchase commitments under the agreement.

We also enter into other agreements in the normal course of business with vendors for commercial, manufacturing, clinical trials and preclinical studies, and other services and products for operating purposes.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

As of June 30, 2025, our debt bears fixed interest rates and we had no outstanding debt with variable interest rate. Our cash flows on these debt obligations are not subject to variability as a result of changes in interest rates.

We are exposed to changes in the fair value of certain or our investments in equity and debt securities. Fluctuations in the underlying fair value of the investments could result in material gains or losses. Refer to Note 6, "Equity and Other Investments and Fair Value Measurements", to the Condensed Consolidated Financial Statements for more information.

Inflation has increased in recent periods and could continue to increase for the near future. Inflationary factors, such as increases in the cost of our raw materials, supplies, interest rates and overhead costs, as well as trade and other international disputes, may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, we may experience some effect in the near future if inflation rates continue to rise. Significant adverse changes in inflation and prices in the future could result in material losses.

We may face foreign exchange risk as a result of entering into transactions denominated in currencies other than U.S. dollars, including contracts with international vendors related to raw material purchases. Our royalty revenue from RELVAR®/BREO® ELLIPTA® and ANORO® ELLIPTA® is also indirectly exposed to foreign exchange risk as GSK also markets and sells the products outside the U.S. The majority of our cash and cash equivalents, investments, and the majority of our vendor relationships are denominated in U.S. dollars. Therefore, we do not believe that the risk of a significant impact on our operating income from foreign currency fluctuations is substantial.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We conducted an evaluation as of June 30, 2025, under the supervision and with the participation of our management, of the effectiveness of the design and operation of our disclosure controls and procedures. These controls and procedures, as defined under SEC rules, are designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934 ("Exchange Act") is recorded, processed, summarized and reported within the timeframes specified by the Commission's rules and forms. Additionally, they ensure that information required to be disclosed by the issuer is accumulated and communicated to management, including its principal executive and principal financial officers, or persons performing similar functions, to enable timely decision regarding required disclosure. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance levels.

Limitations on the Effectiveness of Controls

Our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all frauds. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefit of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Innoviva have been detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Changes in Internal Control over Financial Reporting

There have been no material changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the quarter ended June 30, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information called for by this Item is incorporated herein by reference to Item 1. “Financial Statements,” Note 12, “Commitments and Contingencies”.

Item 1A. Risk Factors

Our business is subject to a number of risks, including those identified in Item 1A of Part I of our 2024 Form 10-K. There have been no material changes to the risk factors described in our 2024 Form 10-K.

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

a) Sales of Unregistered Securities

None.

(b) Use of Proceeds from Public Offering of Common Stock

None.

(c) *Purchases of Equity Securities by the Issuer*

None.

Item 3: Defaults Upon Senior Securities

None.

Item 4: Mine Safety Disclosures

None.

Item 5: Other Information

Trading Arrangements

None of the Company’s directors or officers adopted, modified, or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the quarter ended June 30, 2025, as such terms are defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

(a) Index to Exhibits

Exhibit Number	Description	Incorporated by Reference		
		Form	Exhibit	Filing Date/Period End Date
3.1	Amended and Restated Certificate of Incorporation	8-K	99.2	4/28/2016
3.2	Amended and Restated Bylaws, amended and restated as of January 1, 2023	8-K	3.1	1/4/2023
4.1	Specimen certificate representing the common stock of the registrant	10-K	4.1	12/31/2006
4.2	Form of 2.125% Convertible Subordinated Note Due 2023 (included in Exhibit 4.2)	8-K	4.2	1/25/2013
4.3	Indenture (including form of Note) with respect to Innoviva's 2.5% Convertible Senior Notes due 2025, dated as of August 7, 2017, between Innoviva and The Bank of New York Mellon Trust Company, N.A., as trustee	8-K	4.1	8/7/2017
4.4	Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934	10-K	4.9	2/19/2020
4.5	Indenture (including form of Note) with respect to Innoviva's 2.125% Convertible Senior Notes due 2028, dated as of March 7, 2022, between Innoviva and The Bank of New York Mellon Trust Company, N.A., as trustee	8-K	4.1	3/8/2022
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14 pursuant to the Securities Exchange Act of 1934			
31.2	Certification of Chief Financial Officer pursuant to Rules 13a-14 pursuant to the Securities Exchange Act of 1934			
32*	Certifications Pursuant to 18 U.S.C. Section 1350			
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.			
101.SCH	Inline XBRL Taxonomy Extension Schema Document			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document			
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document			
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document			
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)			

\+ Management contract or compensatory plan or arrangement.
* Furnished herewith.

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.

Innoviva, Inc.

Date: August 6, 2025

/s/ Pavel Raifeld

Pavel Raifeld
Chief Executive Officer
(Principal Executive Officer)

Date: August 6, 2025

/s/ Stephen Basso

Stephen Basso
Chief Financial Officer
(Principal Financial Officer)

Exhibit 31.1

Certification of Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Pavel Raifeld, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Innoviva, Inc.;

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: August 6, 2025

/s/ Pavel Raifeld
Pavel Raifeld
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certification of Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Stephen Basso, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Innoviva, Inc.;

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: August 6, 2025

/s/ Stephen Basso
Stephen Basso
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32

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

I, Pavel Raifeld, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Innoviva, Inc. on Form 10-Q for the period ended June 30, 2025 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition of Innoviva, Inc. at the end of the periods covered by such Quarterly Report on Form 10-Q and results of operations of Innoviva, Inc. for the periods covered by such Quarterly Report on Form 10-Q.

Date: August 6, 2025

By: /s/ Pavel Raifeld
Pavel Raifeld
Chief Executive Officer
(Principal Executive Officer)

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

I, Stephen Basso, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Innoviva, Inc. on Form 10-Q for the period ended June 30, 2025 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition of Innoviva, Inc. at the end of the periods covered by such Quarterly Report on Form 10-Q and results of operations of Innoviva, Inc. for the periods covered by such Quarterly Report on Form 10-Q.

Date: August 6, 2025

By: /s/ Stephen Basso
Stephen Basso
Chief Financial Officer
(Principal Financial Officer)