

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

(Mark One)

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

For the quarterly period ended September 30, 2023 or

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

For the transition period from _____ to _____

Commission File Number: 001-40493

ATAI Life Sciences N.V.

(Exact name of registrant as specified in its charter)

The Netherlands
(State or other jurisdiction of
incorporation or organization)

ATAI Life Sciences N.V.

Wallstraße 16, 10179

Berlin, Germany

(Address of principal executive offices)

Not Applicable
(I.R.S. Employer
Identification No.)

Not Applicable
(Zip Code)

+49 89 2153 9035

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common shares, par value €0.10 per share	ATAI	The Nasdaq Stock Market LLC (Nasdaq Global Market)

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

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

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

Large accelerated filer ☐

Non-accelerated filer ☒

Accelerated filer ☐

Smaller reporting company ☒

Emerging growth company ☒

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

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

As of November 6, 2023, the registrant had 166,010,476 common shares, par value €0.10 per share, outstanding.

FORM 10-Q

Table of Contents

	<u>Page</u>
<u>Forward-Looking Statements</u>	1
	3
PART I. <u>FINANCIAL INFORMATION</u>	3
Item 1. <u>Financial Statements (Unaudited)</u>	3
<u>Condensed Consolidated Balance Sheets as of September 30, 2023 and December 31, 2022</u>	3
<u>Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2023 and 2022</u>	4
<u>Condensed Consolidated Statements of Comprehensive Income (Loss) for the Three and Nine Months Ended September 30, 2023 and 2022</u>	5
<u>Condensed Consolidated Statements of Changes in Stockholders' Equity for the Three and Nine Months Ended September 30, 2023 and 2022</u>	6
<u>Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2023 and 2022</u>	8
<u>Notes to Condensed Consolidated Financial Statements</u>	9
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	42
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	61
Item 4. <u>Controls and Procedures</u>	62
	63
PART II. <u>OTHER INFORMATION</u>	63
Item 1. <u>Legal Proceedings</u>	63
Item 1A. <u>Risk Factors</u>	63
Item 2. <u>Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities</u>	63
Item 3. <u>Defaults Upon Senior Securities</u>	63
Item 4. <u>Mine Safety Disclosures</u>	63
Item 5. <u>Other Information</u>	63
Item 6. <u>Exhibits</u>	64
<u>Signatures</u>	65

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023 (the “Quarterly Report”) contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements contained in this Quarterly Report other than statements of historical fact are forward-looking statements, including without limitation statements regarding our future operating results and financial position; the success, cost, and timing of development of our product candidates, including the progress of preclinical studies and clinical trials and related milestones; the commercialization of our current product candidates and any other product candidates we may identify and pursue, if approved, including our ability to successfully build a specialty sales force and commercial infrastructure to market our current product candidates and any other product candidates we may identify and pursue; the timing of and our ability to obtain and maintain regulatory approvals; our business strategy and plans, including the benefits of our corporate restructuring; potential acquisitions, partnerships and other strategic arrangements; the sufficiency of our cash and cash equivalents and short-term investments to fund our operations; available funding under the Hercules Capital, Inc. loan facility; and the plans and objectives of management for future operations and capital expenditures. The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “could,” “would,” “project,” “plan,” “potentially,” “preliminary,” “likely,” and similar expressions are intended to identify forward-looking statements.

We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are neither promises nor guarantees, and are subject to a number of important factors that could cause actual results to differ materially from any future results, performance or achievements expressed or implied by the forward-looking statements, including without limitation: we are a clinical-stage biopharmaceutical company and have incurred significant losses since our inception, and we expect to incur losses for the foreseeable future and may never be profitable; if we are unable to obtain funding when needed and on acceptable terms, we could be forced to delay, limit or discontinue our product development efforts; our limited operating history may make it difficult to evaluate the success of our business and to assess our future viability; we rely on third parties to assist in conducting our clinical trials and some aspects of our research and preclinical testing, and those third parties may not perform satisfactorily, including failing to meet deadlines for the completion of such trials, research, or testing; we currently rely on qualified therapists working at third-party clinical trial sites to administer certain of our product candidates in our clinical trials and we expect this to continue upon approval, if any, of our current or future product candidates, and if third-party sites fail to recruit and retain a sufficient number of therapists or effectively manage their therapists, our business, financial condition and results of operations would be materially harmed; our product candidates are in preclinical or clinical development, which is a lengthy and expensive process with uncertain outcomes, and we cannot give any assurance that any of our product candidates will receive regulatory approval, which is necessary before they can be commercialized; research and development of drugs targeting the central nervous system, or CNS, is particularly difficult, and it can be difficult to predict and understand why a drug has a positive effect on some patients but not others; the production and sale of our product candidates may be considered illegal or may otherwise be restricted due to the use of controlled substances, which may also have consequences for the legality of investments from foreign jurisdictions; we face significant competition in an environment of rapid technological and scientific change, and there is a possibility that our competitors may achieve regulatory approval before we do or develop therapies that are safer, more advanced or more effective than ours, which may negatively impact our ability to successfully market or commercialize any product candidates we may develop and ultimately harm our financial condition; if we are unable to obtain and maintain sufficient intellectual property protection for our existing product candidates or any other product candidates that we may identify, or if the scope of the intellectual property protection we currently have or obtain in the future is not sufficiently broad, our competitors could develop and commercialize product candidates similar or identical to ours, and our ability to successfully commercialize our existing product candidates and any other product candidates that we may pursue may be impaired; third parties may claim that we are infringing, misappropriating or otherwise violating their intellectual property rights, the outcome of which would be uncertain and may prevent or delay our development and commercialization efforts; our future success depends on our ability to retain key employees, directors, consultants and advisors and to attract, retain and motivate qualified personnel; as a result of covenants to our loan agreement with Hercules Capital, Inc., our operating activities may be restricted and we may be required to repay the outstanding indebtedness in the event of a breach by us, or an event of default thereunder, which could have a materially adverse effect on our business; if we fail to maintain an effective system of disclosure controls and internal control over financial reporting our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired; our business is subject to economic, political, regulatory and other risks associated with international operations; a pandemic, epidemic, or outbreak of an infectious disease, such as the COVID-19 pandemic, may materially and adversely affect our business, including our preclinical studies, clinical trials, third parties on whom we rely, our supply chain, our ability to raise capital, our ability to conduct regular business and our financial results, and other risks, uncertainties, and assumptions described under “Risk Factors” in Item 1A of Part I, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 7 of Part II and elsewhere in our Form 10-K for the year ended December 31, 2022 (the “Form 10-K”) as further updated in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 2 of this Quarterly Report, and in our subsequent filings with the Securities and Exchange Commission (“SEC”).

Any forward-looking statements made herein speak only as of the date of this Quarterly Report, and you should not rely on forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, performance, or achievements reflected in the forward-looking statements will be achieved or will occur. Except as required by applicable law, we undertake no obligation to update any of these forward-looking statements for any reason after the date of this Quarterly Report or to conform these statements to actual results or revised expectations.

GENERAL

Unless the context otherwise requires, all references in this Quarterly Report to “we,” “us,” “our,” “atai” or the “Company” refer to ATAI Life Sciences N.V. and its consolidated subsidiaries. References to “Quarterly Report” herein refer to this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023 and references to “Form 10-K” and “Annual Report” herein refer to our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

All reports we file with the SEC are available for download free of charge via the Electronic Data Gathering Analysis and Retrieval (EDGAR) System on the SEC’s website at www.sec.gov. We also make electronic copies of our reports available for download, free of charge, through our investor relations website at ir.atai.life as soon as reasonably practicable after filing such material with the SEC.

We may announce material business and financial information to our investors using our investor relations website at ir.atai.life. We therefore encourage investors and others interested in atai to review the information that we make available on our website, in addition to following our filings with the SEC, webcasts, press releases and conference calls. Information contained on our website is not incorporated into, and does not form a part of this Quarterly Report.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

ATAI LIFE SCIENCES N.V. CONDENSED CONSOLIDATED BALANCE SHEETS (Amounts in thousands, except share and per share amounts)

	September 30, 2023 (unaudited)	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 76,492	\$ 190,613
Securities carried at fair value	132,502	82,496
Prepaid expenses and other current assets	6,831	14,036
Total current assets	215,825	287,145
Property and equipment, net	992	928
Operating lease right-of-use asset, net	1,258	226
Other investments held at fair value	71,511	—
Other investments	3,659	6,755
Convertible notes receivable - related party	1,519	—
Long term notes receivable - related parties, net	10,349	7,262
Other assets	3,107	3,125
Total assets	<u>\$ 308,220</u>	<u>\$ 305,441</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	5,506	2,399
Accrued liabilities	13,008	17,306
Current portion of lease liability	292	180
Other current liabilities	889	12
Total current liabilities	19,695	19,897
Contingent consideration liability - related parties	900	953
Non-current portion of lease liability	1,011	44
Convertible promissory notes - related parties, net of discounts and deferred issuance costs	410	415
Long-term debt, net	14,956	14,702
Other liabilities	2,736	3,664
Total liabilities	<u>\$ 39,708</u>	<u>\$ 39,675</u>
Commitments and contingencies (Note 16)		
Stockholders' equity:		
Common stock, €0.10 par value (\$0.12 par value at September 30, 2023 and December 31, 2022, respectively); 750,000,000 shares authorized at September 30, 2023 and December 31, 2022, respectively; 166,010,476 and 165,935,914 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	18,571	18,562
Additional paid-in capital	799,461	774,092
Share subscription receivable	—	(24)
Accumulated other comprehensive loss	(19,109)	(21,702)
Accumulated deficit	(532,647)	(510,188)
Total stockholders' equity attributable to ATAI Life Sciences N.V. stockholders	266,276	260,740
Noncontrolling interests	2,236	5,026
Total stockholders' equity	268,512	265,766
Total liabilities and stockholders' equity	<u>\$ 308,220</u>	<u>\$ 305,441</u>

See accompanying Notes to the unaudited Condensed Consolidated Financial Statements.

ATAI LIFE SCIENCES N.V.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except share and per share amounts)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
License revenue	\$ 87	\$ 24	\$ 296	\$ 195
Operating expenses:				
Research and development	13,290	19,028	48,047	52,437
Acquisition of in-process research and development	—	—	—	357
General and administrative	13,631	19,419	44,159	54,623
Total operating expenses	26,921	38,447	92,206	107,417
Loss from operations	(26,834)	(38,423)	(91,910)	(107,222)
Other income (expense), net:				
Interest income	612	145	1,191	361
Interest expense	(686)	—	(1,965)	—
Change in fair value of contingent consideration liability - related parties	(58)	430	53	525
Change in fair value of warrant liability	—	—	—	53
Change in fair value of securities carried at fair value	1,832	344	3,322	(981)
Change in fair value of other investments held at fair value	69,014	—	69,014	—
Change in fair value of convertible notes receivable - related party	22	—	22	—
Foreign exchange gain (loss), net	253	4,470	(593)	11,515
Other income (expense), net	(308)	(100)	(100)	(112)
Total other income (expense), net	70,681	5,289	70,944	11,361
Net income (loss) before income taxes	43,847	(33,134)	(20,966)	(95,861)
Provision for income taxes	(238)	(135)	(588)	(227)
Losses from investments in equity method investees, net of tax	(238)	(2,432)	(3,199)	(14,680)
Net income (loss)	43,371	(35,701)	(24,753)	(110,768)
Net loss attributable to noncontrolling interests	(873)	(1,814)	(2,821)	(3,394)
Net income (loss) attributable to ATAI Life Sciences N.V. stockholders	\$ 44,244	\$ (33,887)	\$ (21,932)	\$ (107,374)
Net income (loss) per common share attributable to ATAI Life Sciences N.V. stockholders — basic	\$ 0.28	\$ (0.22)	\$ (0.14)	\$ (0.69)
Net income (loss) per common share attributable to ATAI Life Sciences N.V. stockholders — diluted	\$ 0.25	\$ (0.22)	\$ (0.14)	\$ (0.69)
Weighted average common shares outstanding attributable to ATAI Life Sciences N.V. stockholders — basic	155,792,490	156,607,468	155,793,601	154,713,922
Weighted average common shares outstanding attributable to ATAI Life Sciences N.V. stockholders — diluted	177,565,973	156,607,468	155,793,601	154,713,922

See accompanying Notes to the unaudited Condensed Consolidated Financial Statements.

ATAI LIFE SCIENCES N.V.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Amounts in thousands)
(unaudited)

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Net income (loss)	\$ 43,371	\$ (35,701)	\$ (24,753)	\$ (110,768)
Other comprehensive income (loss):				
Foreign currency translation adjustments, net of tax	1,709	(4,597)	2,593	(17,452)
Comprehensive loss:	\$ 45,080	\$ (40,298)	\$ (22,160)	\$ (128,220)
Comprehensive loss attributable to noncontrolling interests	(873)	(1,814)	(2,821)	(3,394)
Foreign currency translation adjustments, net of tax attributable to noncontrolling interests	22	48	31	67
Comprehensive loss attributable to noncontrolling interests	(851)	(1,766)	(2,790)	(3,327)
Comprehensive income (loss) attributable to ATAI Life Sciences N.V. stockholders	<u>\$ 45,931</u>	<u>\$ (38,532)</u>	<u>\$ (19,370)</u>	<u>\$ (124,893)</u>

See accompanying Notes to the unaudited Condensed Consolidated Financial Statements.

ATAI LIFE SCIENCES N.V.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Amounts in thousands, except share and per share amounts)
(unaudited)

	Common Stock		Additional Paid-In Capital	Share Subscriptions Receivable	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity Attributable to ATAI Life Sciences N.V. Stockholders	Noncontrolling Interests	Total Stockholders' Equity
	Shares	Amount							
Balances at December 31, 2022	165,935,914	\$ 18,562	\$ 774,092	\$ (24)	\$ (21,702)	\$ (510,188)	\$ 260,740	\$ 5,026	\$ 265,766
Issuance of shares upon exercise of stock options	74,562	9	172	—	—	—	181	—	181
Settlement of issuance of shares upon exercise of stock options	—	—	—	24	—	—	24	—	24
Stock-based compensation expense	—	—	8,662	—	—	—	8,662	—	8,662
Adjustment to accumulated deficit (pursuant to adoption of ASU 2016-13)	—	—	—	—	—	(526)	(526)	—	(526)
Foreign currency translation adjustment, net of tax	—	—	—	—	879	—	879	8	887
Net loss	—	—	—	—	—	(33,135)	(33,135)	(1,219)	(34,354)
Balances at March 31, 2023	<u>166,010,476</u>	<u>\$ 18,571</u>	<u>\$ 782,926</u>	<u>\$ —</u>	<u>\$ (20,823)</u>	<u>\$ (543,849)</u>	<u>\$ 236,825</u>	<u>\$ 3,815</u>	<u>\$ 240,640</u>
Stock-based compensation expense	—	—	8,762	—	—	—	8,762	—	8,762
Foreign currency translation adjustment, net of tax	—	—	—	—	5	—	5	1	6
Net loss	—	—	—	—	—	(33,042)	(33,042)	(729)	(33,771)
Balances at June 30, 2023	<u>166,010,476</u>	<u>\$ 18,571</u>	<u>\$ 791,688</u>	<u>\$ —</u>	<u>\$ (20,818)</u>	<u>\$ (576,891)</u>	<u>\$ 212,550</u>	<u>\$ 3,087</u>	<u>\$ 215,637</u>
Stock-based compensation expense	—	—	8,253	—	—	—	8,253	—	8,253
Adjustment to additional paid in capital upon acquiring additional interest in variable interest entity	—	—	(480)	—	—	—	(480)	—	(480)
Foreign currency translation adjustment, net of tax	—	—	—	—	1,709	—	1,709	22	1,731
Net income	—	—	—	—	—	44,244	44,244	(873)	43,371
Balances at September 30, 2023	<u>166,010,476</u>	<u>\$ 18,571</u>	<u>\$ 799,461</u>	<u>\$ —</u>	<u>\$ (19,109)</u>	<u>\$ (532,647)</u>	<u>\$ 266,276</u>	<u>\$ 2,236</u>	<u>\$ 268,512</u>

	Common Stock		Additional	Share	Accumulated		Total		Total
	Shares	Amount	Paid-In	Subscriptions	Other	Accumulated	Stockholders'	Noncontrolling	Stockholders'
			Capital	Receivable	Comprehensive	Deficit	Equity Attributable to	Interests	Equity
					Loss		ATAI Life Sciences N.V.		
							Stockholders		
Balances at December 31, 2021	160,677,001	\$ 18,002	\$ 725,045	\$ —	\$ (8,336)	\$ (357,803)	\$ 376,908	\$ 9,051	\$ 385,959
Issuance of shares upon exercise of stock options	42,827	5	127	—	—	—	132	—	132
Stock-based compensation expense	—	—	10,208	—	—	—	10,208	—	10,208
Foreign currency translation adjustment, net of tax	—	—	—	—	(4,373)	—	(4,373)	(11)	(4,384)
Net loss	—	—	—	—	—	(36,869)	(36,869)	(689)	(37,558)
Balances at March 31, 2022	160,719,828	\$ 18,007	\$ 735,380	\$ —	\$ (12,709)	\$ (394,672)	\$ 346,006	\$ 8,351	\$ 354,357
Conversion of convertible notes to common stock	960,000	101	1,039	—	—	—	1,140	—	1,140
Issuance of shares upon exercise of stock options	47,957	6	112	—	—	—	118	—	118
Issuance of subsidiary preferred shares	—	—	—	—	—	—	—	600	600
Issuance of subsidiary common shares	—	—	—	—	—	—	—	357	357
Stock-based compensation expense	—	—	9,511	—	—	—	9,511	—	9,511
Foreign currency translation adjustment, net of tax	—	—	—	—	(8,482)	—	(8,482)	30	(8,452)
Net loss	—	—	—	—	—	(36,618)	(36,618)	(891)	(37,509)
Balances at June 30, 2022	161,727,785	\$ 18,114	\$ 746,042	\$ —	\$ (21,191)	\$ (431,290)	\$ 311,675	\$ 8,447	\$ 320,122
Conversion of convertible notes to common stock	3,360,000	346	3,427	—	—	—	3,773	—	3,773
Issuance of shares upon exercise of stock options	787,522	94	1,827	—	—	—	1,921	—	1,921
Stock-based compensation expense	—	—	10,515	—	—	—	10,515	—	10,515
Foreign currency translation adjustment, net of tax	—	—	—	—	(4,597)	—	(4,597)	48	(4,549)
Net loss	—	—	—	—	—	(33,887)	(33,887)	(1,814)	(35,701)
Balances at September 30, 2022	165,875,307	\$ 18,554	\$ 761,811	\$ —	\$ (25,788)	\$ (465,177)	\$ 289,400	\$ 6,681	\$ 296,081

See accompanying Notes to the unaudited Condensed Consolidated Financial Statements.

ATAI LIFE SCIENCES N.V.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities		
Net loss	\$ (24,753)	\$ (110,768)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	218	115
Change in right-of-use asset	297	—
Amortization of debt discount	272	—
Change in fair value of contingent consideration liability—related parties	(53)	(525)
Change in fair value of securities carried at fair value	(3,322)	981
Change in fair value of warrant liability	—	(53)
Change in fair value of other investments held at fair value	(69,014)	—
Change in fair value of convertible notes receivable - related party	(22)	—
Losses from investments in equity method investees	3,199	14,680
In-process research and development expense	—	357
Stock-based compensation expense	25,677	30,235
Unrealized foreign exchange (gains) losses	555	(9,536)
Other	(42)	(158)
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	6,716	(1,778)
Accounts payable	3,096	(2,436)
Accrued liabilities	(4,980)	4,924
Net cash used in operating activities	(62,156)	(73,962)
Cash flows from investing activities		
Purchases of property and equipment	(251)	(631)
Capitalized internal-use software development costs	(322)	(170)
Cash paid for other investments held at fair value	(724)	—
Cash paid for convertible notes receivable - related party	(1,497)	—
Cash paid for additional interest in variable interest entity	(480)	—
Proceeds from sale of other investments	486	—
Cash paid for other investments	—	(600)
Proceeds from sale and maturities of securities carried at fair value	130,363	94,055
Cash paid for securities carried at fair value	(177,047)	(256,554)
Loans to related parties	(3,000)	(3,000)
Net cash used in investing activities	(52,472)	(166,900)
Cash flows from financing activities		
Proceeds from issuance of shares upon exercise of stock options	206	2,171
Proceeds from issuance of subsidiary preferred shares	—	600
Proceeds from conversion of convertible notes to common stock	—	4,635
Proceeds from debt financings	—	15,000
Financing costs paid	(100)	(699)
Net cash provided by financing activities	106	21,707
Effect of foreign exchange rate changes on cash	401	(572)
Net increase (decrease) in cash and cash equivalents	(114,121)	(219,727)
Cash and cash equivalents – beginning of the period	190,613	362,266
Cash and cash equivalents – end of the period	\$ 76,492	\$ 142,539
Supplemental disclosures:		
Cash paid for taxes	\$ (1,475)	\$ —
Cash paid for interest	\$ (1,428)	\$ —
Supplemental disclosures of non cash investing and financing information:		
Right of use asset obtained in exchange for operating lease liabilities	\$ 1,356	\$ 487
Issuance of subsidiary shares to non-controlling interests in connection with Columbia stock purchase agreement	\$ —	\$ 357
Deferred financing costs included in accounts payable and accrued expenses	\$ —	\$ 1,046

See accompanying Notes to the unaudited Condensed Consolidated Financial Statements.

1. Organization and Description of Business

ATAI Life Sciences N.V. (“atai”) is the parent company of ATAI Life Sciences AG and, along with its subsidiaries, is a clinical-stage biopharmaceutical company aiming to transform the treatment of mental health disorders. atai was founded in 2018 as a response to the significant unmet need and lack of innovation in the mental health treatment landscape, as well as the emergence of therapies that previously may have been overlooked or underused, including psychedelic compounds and digital therapeutics. atai is dedicated to developing innovative therapeutics to treat depression, anxiety, addiction, and other mental health disorders.

Since inception, atai has either created wholly owned subsidiaries or has made investments in certain controlled entities, including variable interest entities (“VIEs”) for which atai is the primary beneficiary under the VIE model (collectively, the “Company”). atai is headquartered in Berlin, Germany.

The Company has determined that it has one operating and reporting segment.

Liquidity and Going Concern

The Company has incurred significant losses and negative cash flows from operations since its inception. As of September 30, 2023, the Company had cash and cash equivalents of \$76.5 million, short-term securities of \$132.5 million and its accumulated deficit was \$532.6 million. The Company has historically financed its operations through the sale of equity securities, debt financings, sale of convertible notes and revenue generated from licensing and collaboration arrangements. The Company has not generated any revenues to date from the sale of its product candidates and does not anticipate generating any revenues from the sale of its product candidates unless and until it successfully completes development and obtains regulatory approval to market its product candidates.

The Company currently expects that its existing cash and cash equivalents and short-term securities as of September 30, 2023 will be sufficient to fund its operating expenses and capital expenditure requirements for at least the next 12 months from the date the condensed consolidated financial statements are issued.

2. Basis of Presentation, Consolidation and Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) for interim financial information and follow the requirements of the United States Securities and Exchange Commission (“SEC”) for interim financial reporting. Accordingly, these unaudited condensed consolidated financial statements do not include all of the information and disclosures required by U.S. GAAP for complete financial statements as certain footnotes or other financial information that are normally required by U.S. GAAP can be condensed or omitted. These unaudited condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC on March 24, 2023.

The unaudited condensed consolidated financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary for a fair statement of the Company’s financial position, its results of operations and comprehensive loss, and its cash flows for the periods presented. The results of operations for the three and nine months ended September 30, 2023 are not necessarily indicative of the results to be expected for the year ending December 31, 2023 or for any other future annual or interim period.

Any reference in these notes to applicable accounting guidance is meant to refer to the authoritative U.S. GAAP included in the Accounting Standards Codification (“ASC”), and Accounting Standards Update (“ASU”) issued by the Financial Accounting Standards Board (“FASB”).

Reclassifications

Certain reclassifications were made to prior period amounts in the condensed consolidated financial statements and accompanying notes to conform with current year presentation due to the increase in the balances of the Company’s operating right-of-use asset and related lease liability during the period.

Consolidation

The Company’s condensed consolidated financial statements include the accounts of atai and its subsidiaries. All intercompany balances and transactions have been eliminated in the consolidation.

The Company’s policy is to consolidate all entities that it controls by ownership of a majority of the outstanding voting stock. In addition, entities that meet the definition of a variable interest entity (“VIE”) for which atai is the primary beneficiary are consolidated. The primary beneficiary is the party who has the power to direct the activities of a VIE that most significantly impact the entity’s economic performance

and who has an obligation to absorb losses of the entity or a right to receive benefits from the entity that could potentially be significant to the entity. For consolidated entities that are less than wholly-owned, the third-party's holding of equity interest is presented as Noncontrolling interests in the Company's condensed consolidated balance sheets and condensed consolidated statements of stockholders' equity. The portion of net earnings attributable to the noncontrolling interests is presented as Net loss attributable to noncontrolling interests in the Company's condensed consolidated statements of operations.

In situations in which atai has significant influence, but not control, of an entity that does not qualify as a VIE, the Company applies the cost and equity method of accounting, with its portion of net losses recorded in Losses from investments in equity method investees, net of tax in the Company's condensed consolidated statements of operations.

Significant Accounting Policies

During the nine months ended September 30, 2023, there were no significant changes to the Company's significant accounting policies as described in the Company's audited consolidated financial statements as of and for the year ended December 31, 2022 except as described below.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates and assumptions made in the accompanying condensed consolidated financial statements include, but are not limited to the fair value of the Company's investment in Intelgenx Technologies Corp. ("IntelGenx"), the fair value of convertible notes receivable - related party, securities carried at fair value, contingent consideration liability—related parties, in-process research and development assets ("IPRD") and noncontrolling interests recognized in acquisitions, the valuation of share-based awards, and accruals for research and development costs.

The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable. Actual results may differ from those estimates or assumptions.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with original maturities of three months or less from the purchase date to be cash equivalents. As of September 30, 2023 and December 31, 2022, cash and cash equivalents consisted of cash on deposit and cash held in high-yield savings accounts and money market funds. The substantial majority of the Company's cash is held in financial institutions in the United States and at times in excess of federally insured limits.

Investment Securities Portfolio

The following table sets forth the fair value of atai's available-for-sale securities portfolio at the dates indicated:

	Fair Value	
	September 30, 2023	December 31, 2022
Money Market Funds	\$ 650	\$ 72,334
U.S. Treasuries	85,122	—
Commercial Paper	—	5,958
Corporate Notes/Bonds	4,925	17,719
U.S. Government Agencies	42,456	58,819
	<u>\$ 133,153</u>	<u>\$ 154,830</u>

In January 2022, the Company invested in a certain investment portfolio, which is comprised of Money Market Funds, U.S. Treasury securities, Commercial Paper, Corporate Notes/Bonds, and U.S. government agencies securities. The Company classified securities in the investment portfolio as available-for-sale securities. Furthermore, the Company elected the fair value option for the available-for-sale securities in the investment portfolio (see Note 7). The decision to elect the fair value option, which is irrevocable once elected, is determined on an instrument-by-instrument basis and applied to an entire instrument. The net gains or losses, if any, on an investment for which the fair value option has been elected are recognized as a change in fair value of securities carried at fair value on the Condensed Consolidated Statements of Operations and the amortized cost of investments approximates their fair value. The Company's securities in the investment portfolio will mature within two years.

Fair Value Measurements

Assets and liabilities recorded at fair value on a recurring basis in the condensed consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair values. Fair value is defined as the exchange price that would be received for an asset or an exit price that would be paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value

must maximize the use of observable inputs and minimize the use of unobservable inputs. The authoritative guidance on fair value measurements establishes a three-tier fair value hierarchy for disclosure of fair value measurements as follows:

Level 1—Observable inputs such as unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2—Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active; and

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. To the extent that the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The Company's contingent consideration liability—related parties, IntelGenx convertible notes receivable - related party, IntelGenx Initial Warrants, IntelGenx Additional Units Warrants and IntelGenx 2023 Initial Warrants are carried at fair value, determined according to Level 3 inputs in the fair value hierarchy described above (See Note 7). The IntelGenx common stock and securities carried at fair value are determined according to Level 2 inputs in the fair value hierarchy above. The carrying amount reflected in the accompanying condensed consolidated balance sheets for cash, prepaid expenses and other current assets, accounts payable and accrued liabilities approximate their fair values, due to their short-term nature.

The carrying amounts of the Company's remaining outstanding convertible promissory notes—related parties ("2018 Convertible Notes") do not approximate fair value because the fair value is driven by the underlying value of the Company's common shares into which the notes are to be converted. As of September 30, 2023, the carrying amount and fair value amount of the 2018 Convertible Notes was \$0.4 million and \$4.2 million, respectively. As of December 31, 2022, the carrying amount and fair value amount of the 2018 Convertible Notes was \$0.4 million and \$13.1 million, respectively. In 2022, several noteholders of the 2018 Convertible Notes elected to convert their promissory notes into the Company's common shares. See Note 11 for additional discussion.

Fair Value Option

As permitted under Accounting Standards Codification 825, Financial Instruments, or ASC 825, the Company has elected the fair value option to account for its investment in common shares of IntelGenx, which otherwise would be subject to ASC 323. In accordance with ASC 825, the Company records this investment at fair value under Other investments held at fair value in the Company's condensed consolidated balance sheets and changes in fair value are recognized as Change in fair value of convertible notes receivable - related party, in the condensed consolidated statements of operations. The carrying value of the investment remained at zero as of September 30, 2023 and December 31, 2022, respectively.

Furthermore, as noted above the Company also elected the fair value option for its investment securities portfolio.

Emerging Growth Company Status

The Company is an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. The Company has elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that it (i) is no longer an emerging growth company or (ii) affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act. As a result, these condensed consolidated financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates.

As described in "Recently Adopted Accounting Pronouncements" below, the Company early adopted certain accounting standards, as the JOBS Act does not preclude an emerging growth company from adopting a new or revised accounting standard earlier than the time that such standard applies to private companies. The Company expects to use the extended transition period for any other new or revised accounting standards during the period in which it remains an emerging growth company.

Recently Adopted Accounting Pronouncements

ASU 2016-02 Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which is a comprehensive new lease standard that amends various aspects of existing accounting guidance for leases. The core principle of Topic 842 requires lessees to recognize on the condensed

consolidated balance sheets a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term for both finance and operating leases with lease terms greater than twelve months. The lease liability is measured at the present value of the unpaid lease payments and the right-of-use asset is derived from the calculation of the lease liability. Topic 842 also requires lessees to disclose key information about leasing arrangements. For public entities, ASU 2016-02 is effective for fiscal years beginning after December 15, 2018. As a result of the Company having elected the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act, ASU 2016-02 is effective for the Company beginning after December 15, 2021. The Company adopted the new standard on January 1, 2022 using the modified transition approach as of the effective date.

The Company elected the “package of three practical expedients,” which permitted it to not reassess under the new standard its prior conclusions about lease identification, lease classification, and initial direct costs. As a result, the Company has continued to account for existing leases - i.e. leases for which the commencement date is before January 1, 2022 - in accordance with Topic 840 throughout the entire lease term, including periods after the effective date, with the exception that the Company applied the new balance sheet recognition guidance for operating leases and applied Topic 842 for remeasurements and modifications after the Transition Date. The Company also elected the hindsight expedient in determining the lease term and assessing impairment of right-of-use assets when transitioning to ASC 842. As a result, the Company evaluated the lease term for its existing leases as of the transition date, January 1, 2022.

The most significant impact of the initial adoption of Topic 842 on the Company’s condensed consolidated financial statements was the recognition of a \$0.2 million operating lease right-of-use asset, a \$0.1 million current operating lease liability, and a \$0.1 million long-term operating lease liability on the Company’s condensed consolidated balance sheets related to its existing facility operating lease. The Company did not have a deferred rent liability recorded in connection with its existing facility operating lease. There was no material impact of the initial adoption to the Company’s condensed consolidated balance sheets, condensed consolidated statements of operations, and no cumulative-effect adjustment to accumulated deficit.

In May 2022, the Company entered into a five-year lease arrangement that commenced in January 2023 related to our principal executive office located at Wallstraße 16, 10179, Berlin, Germany. This lease will require lease payments over the term of approximately \$1.8 million, which is further described in Note 10 of the notes to the Company’s unaudited condensed consolidated financial statements.

ASU 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued ASU 2016-13, Financial Instruments — Credit Losses. This guidance requires immediate recognition of management’s estimates of current expected credit losses. Under the prior model, losses were recognized only when losses were deemed probable. The new model is applicable to most financial assets and certain other instruments that are not measured at fair value through net income.

The Company utilizes an undiscounted probability-of-default (“PD”) and loss-given-default (“LGD”) method for estimating credit losses on its assets pool, which is comprised of loans to other companies. Under the PD and LGD method, the expected credit loss percentage (or “loss rate”) is calculated as the probability of default (i.e., the probability the asset will default within the given time frame) multiplied by the loss given default (i.e., the percentage of the asset not expected to be collected because of default). To implement the PD and LGD method, the Company utilizes readily observable market information from term-matched public debt to derive market implied current expected credit losses (“MICECL”) grouped by Standard & Poor’s (“S&P”) credit rating scale. The MICECL framework considers risk characteristics of assets pool based on publicly available or estimated S&P credit ratings to calculate an appropriate credit loss reserve for the pool or group of assets.

ASU 2016-13 requires a cumulative effect adjustment to the statement of financial position as of the beginning of the first reporting period in which it is effective. On January 1, 2023, the Company adopted this guidance and applied a modified-retrospective transition approach through a cumulative-effect adjustment to retained earnings upon adoption. At transition, the new accounting guidance’s adoption resulted in an increase to accumulated deficit of \$0.5 million, net of tax attributable to an increase in the allowance for credit losses related to its Short term notes receivable - related parties, net and Long term notes receivable - related parties, net.

Further, the FASB issued ASU 2019-04, ASU 2019-05, ASU 2019-11, ASU 2020-03 and ASU 2022-02 to provide additional clarification and guidance on the credit losses standard. We adopted ASU 2019-04, ASU 2019-05, ASU 2019-11, ASU 2020-03 and ASU 2022-02 on January 1, 2023. The adoption of these standards did not have a material impact on the Company’s consolidated financial statements or disclosures.

3. Dispositions

2022 Dispositions

Neuronasal, Inc.

In October 2020 and March 2021, the Company invested in Neuronasal, Inc. (“Neuronasal”) common stock for a cash contribution of \$0.3 million and \$0.5 million, respectively. In December 2019, October 2020 and May 2021, the Company invested in Neuronasal preferred stock for a cash contribution of \$0.5 million, \$0.8 million and \$1.0 million, respectively. Upon the closing of the purchase on May 17, 2021, the Company obtained a controlling financial interest in Neuronasal. The Company derecognized its other investments in Neuronasal and began to consolidate the operations of Neuronasal into its consolidated financial statements.

In November 2022, the Company finalized and entered into a Redemption, Termination and Release Agreement (“Termination Agreement”) with Neuronasal through which atai disposed of its equity interests and residual SPA funding obligations. Pursuant to the Neuronasal Termination Agreement, the Company transferred all of its approximately 56.5% equity interest in Neuronasal in exchange for the redemption consideration in the form of certain warrants. The Termination Agreement entitles the Company to purchase common stock in Neuronasal upon the occurrence of certain contingencies, such as an initial public offering, a qualified financing event, or certain clinical studies. The Company has no further obligations to fund Neuronasal.

As a result of the disposition, the Company ceased having controlling financial interest in Neuronasal and the Company deconsolidated Neuronasal in November 2022 because it determined that it no longer was the primary beneficiary of Neuronasal as it no longer had the power to direct the significant activities of Neuronasal. Upon the effective termination date, the Company derecognized all of Neuronasal's assets and liabilities from the Company's balance sheet, and recognized a gain of \$1.5 million, which was recognized as a component of other income (expense), net in the Company's consolidated statements of operations for the year ended December 31, 2022. The Company determined that the value of the warrants received in connection with the Termination Agreement was de minimis as of the termination date and as of September 30, 2023. In connection with the deconsolidation of Neuronasal, the Company concluded that a loan loss had been incurred and the loan assets were impaired accordingly. The Company recognized an impairment of loan receivable of \$0.9 million for the year ended December 31, 2022.

The Company concluded that the decision to deconsolidate Neuronasal, which was based on clinical data that did not meet expectations, did not represent a significant strategic shift. Therefore, the Company did not present the results of Neuronasal prior to deconsolidation as discontinued operations in its consolidated statements of operations for the year ended December 31, 2022.

4. Variable Interest Entities

Consolidated VIEs

At each reporting period, the Company reassesses whether it remains the primary beneficiary for Variable Interest Entities (“VIEs”) consolidated under the VIE model.

The entities consolidated by the Company are comprised of wholly and partially owned entities for which the Company is the primary beneficiary under the VIE model as the Company has (i) the power to direct the activities that most significantly impact the VIE's economic performance and (ii) the obligation to absorb losses that could potentially be significant to the VIE, or the right to receive benefits from the VIE that could potentially be significant to the VIE. The results of operations of the consolidated entities are included within the Company's condensed consolidated financial statements from the date of acquisition to September 30, 2023.

As of September 30, 2023 and December 31, 2022, the Company has accounted for the following consolidated investments as VIEs, excluding the wholly owned subsidiaries:

Consolidated Entities	Relationship as of September 30, 2023	Relationship as of December 31, 2022	Date Control Obtained	Ownership % September 30, 2023	Ownership % December 31, 2022
Perception Neuroscience Holdings, Inc.	Controlled VIE	Controlled VIE	November 2018	59.2%	58.9%
Kures, Inc.	Controlled VIE	Controlled VIE	August 2019	64.5%	64.5%
EntheogeniX Biosciences, Inc.	Wholly Owned Subsidiary	Controlled VIE	November 2019	100.0%	80.0%
DemeRx IB, Inc.	Controlled VIE	Controlled VIE	December 2019	59.5%	59.5%
Recognify Life Sciences, Inc.	Controlled VIE	Controlled VIE	November 2020	51.9%	51.9%
PsyProtix, Inc.	Controlled VIE	Controlled VIE	February 2021	75.0%	75.0%
Psyber, Inc.	Controlled VIE	Controlled VIE	February 2021	75.0%	75.0%
InnarisBio, Inc.	Controlled VIE	Controlled VIE	March 2021	82.0%	82.0%
TryptageniX Inc.	Controlled VIE	Controlled VIE	December 2021	65.0%	65.0%

As of September 30, 2023 and December 31, 2022, the assets of the consolidated VIEs can only be used to settle the obligations of the respective VIEs. The liabilities of the consolidated VIEs are obligations of the respective VIEs and their creditors have no recourse to the general credit or assets of atai.

EntheogeniX Biosciences, Inc.

In November 2019, the Company entered into a series of agreements with Cyclica Inc. ("Cyclica") to form EntheogeniX Biosciences, Inc. ("EntheogeniX"), a company dedicated to developing the next generation of innovative mental health drugs employing an AI-enabled computational biophysics platform designed to optimize and accelerate drug discovery. Based on the Company's assessment of the transaction at the time of acquisition, the Company concluded that EntheogeniX was not a business and accounted for the Company's investment as an initial consolidation of a VIE that is not a business under ASC 810.

In February 2022 and September 2022, pursuant to the business plan as contemplated in the Stockholders Agreement and Subscription for Shares pursuant to the Contribution and Subscription Agreement, atai purchased additional shares of Class A common stock for an aggregate purchase price of \$2.2 million. As a result of anti-dilution protection available to Cyclica, the Company's ownership percentage in EntheogeniX did not change due to its purchase of the Class A common stock.

In March 2023, pursuant to the business plan as contemplated in the Stockholders Agreement and Subscription for Shares pursuant to the Contribution and Subscription Agreement, atai purchased additional shares of Class A common stock for an aggregate purchase price of \$1.0 million. As a result of anti-dilution protection available to Cyclica, the Company's ownership percentage in EntheogeniX did not change due to its purchase of the Class A common stock.

On September 1, 2023, the Company and Cyclica entered into a Stock Transfer Agreement which resulted in the Company's acquisition of Cyclica's 20% equity ownership of EntheogeniX (the "Stock Transfer"). As a result of the "Stock Transfer", the Company owned 100% of the outstanding common stock of EntheogeniX and EntheogeniX became a wholly owned subsidiary of the Company. The Stock Transfer was accounted for as an equity transaction with no gain or loss recognized. The difference between the carrying amount of Cyclica's non-controlling interest and the cash paid for the acquisition of the additional equity interest was recorded as a reduction in additional paid-in capital in the condensed consolidated balance sheets and condensed consolidated statements of stockholders' equity.

As of September 30, 2023 the Company owned 100% of the outstanding common stock of EntheogeniX. As of December 31, 2022, the Company owned 80% of the outstanding common stock of EntheogeniX.

The following table presents the assets and liabilities (excluding intercompany balances that were eliminated in consolidation) for all VIEs as of September 30, 2023 (in thousands):

	Perception	Kures	EntheogeniX	DemeRx IB	Recognify	PsyProtix	Psyber	InnarisBio	TryptageniX
Assets:									
Current assets:									
Cash	\$ 776	\$ 404	\$ 1,845	\$ 9,878	\$ 2,846	\$ 468	\$ 442	\$ 819	\$ 1
Accounts receivable	84	—	—	—	—	—	—	—	—
Prepaid expenses and other current assets	275	48	203	2	745	—	—	156	2,675
Total current assets	1,135	452	2,048	9,880	3,591	468	442	974	2,676
Long term notes receivable	—	—	—	1,062	—	95	—	—	—
Other assets	—	—	—	—	—	—	721	—	—
Total assets	<u>\$ 1,135</u>	<u>\$ 452</u>	<u>\$ 2,048</u>	<u>\$ 10,942</u>	<u>\$ 3,591</u>	<u>\$ 563</u>	<u>\$ 1,163</u>	<u>\$ 974</u>	<u>\$ 2,676</u>
Liabilities:									
Current liabilities:									
Accounts payable	\$ 421	\$ 301	\$ 252	\$ 335	\$ 335	\$ —	\$ —	\$ —	\$ —
Accrued liabilities	886	14	114	206	1,173	19	94	315	15
Other current liabilities	—	—	—	—	—	—	—	—	—
Total current liabilities	1,308	314	365	541	1,508	19	94	315	15
Total liabilities	<u>\$ 1,308</u>	<u>\$ 314</u>	<u>\$ 365</u>	<u>\$ 541</u>	<u>\$ 1,508</u>	<u>\$ 19</u>	<u>\$ 94</u>	<u>\$ 315</u>	<u>\$ 15</u>

The following table presents the assets and liabilities (excluding intercompany balances that were eliminated in consolidation) for all consolidated VIEs as of December 31, 2022 (in thousands):

	Perception	Kures	EntheogeniX	DemeRx IB	Recognify	PsyProtix	Psyber	InnarisBio	TryptageniX
Assets:									
Current assets:									
Cash	\$ 8,703	\$ 220	\$ 467	\$ 12,251	\$ 7,526	\$ 1	\$ 683	\$ 719	\$ 513
Accounts receivable	197	—	—	—	—	—	—	—	—
Prepaid expenses and other current assets	466	174	91	21	1,742	66	—	13	2,850
Total current assets	9,366	394	558	12,272	9,268	67	683	732	3,363
Long term notes receivable	—	—	—	1,075	—	109	—	—	—
Other assets	—	—	—	—	—	—	353	—	—
Total assets	<u>\$ 9,366</u>	<u>\$ 394</u>	<u>\$ 558</u>	<u>\$ 13,347</u>	<u>\$ 9,268</u>	<u>\$ 176</u>	<u>\$ 1,036</u>	<u>\$ 732</u>	<u>\$ 3,363</u>
Liabilities:									
Current liabilities:									
Accounts payable	\$ 661	\$ 25	\$ 124	\$ 332	\$ 381	\$ 33	\$ 10	\$ 3	\$ —
Accrued liabilities	1,738	266	121	671	596	46	37	158	154
Other current liabilities	121	2	—	133	2	1	1	1	—
Total current liabilities	2,520	293	245	1,136	979	80	48	162	154
Total liabilities	<u>\$ 2,520</u>	<u>\$ 293</u>	<u>\$ 245</u>	<u>\$ 1,136</u>	<u>\$ 979</u>	<u>\$ 80</u>	<u>\$ 48</u>	<u>\$ 162</u>	<u>\$ 154</u>

Noncontrolling Interests

The Company recognizes noncontrolling interests related to its consolidated VIEs and provides a roll forward of the noncontrolling interests balance, as follows (in thousands):

	Perception	Kures	Recognify	Total
Balance as of December 31, 2022	\$ 1,731	\$ 451	\$ 2,844	\$ 5,026
Net loss attributable to noncontrolling interests - common	—	—	—	—
Net loss attributable to noncontrolling interests - preferred	(700)	(93)	(426)	(1,219)
Comprehensive loss attributable to noncontrolling interests	6	2	—	8
Balance as of March 31, 2023	<u>\$ 1,037</u>	<u>\$ 360</u>	<u>\$ 2,418</u>	<u>\$ 3,815</u>
Net loss attributable to noncontrolling interests - common	—	—	—	—
Net loss attributable to noncontrolling interests - preferred	(266)	(32)	(431)	(729)
Comprehensive loss attributable to noncontrolling interests	(1)	2	—	1
Balance as of June 30, 2023	<u>\$ 770</u>	<u>\$ 330</u>	<u>\$ 1,987</u>	<u>\$ 3,087</u>
Net loss attributable to noncontrolling interests - common	—	—	—	—
Net income (loss) attributable to noncontrolling interests - preferred	(320)	65	(618)	(873)
Comprehensive loss attributable to noncontrolling interests	17	5	—	22
Balance as of September 30, 2023	<u>\$ 467</u>	<u>\$ 400</u>	<u>\$ 1,369</u>	<u>\$ 2,236</u>

	Perception	Kures	Recognify	Total
Balance as of December 31, 2021	\$ 5,232	\$ —	\$ 3,819	\$ 9,051
Net loss attributable to noncontrolling interests - preferred	(571)	—	(118)	(689)
Comprehensive loss attributable to noncontrolling interests	(11)	—	—	(11)
Balance as of March 31, 2022	<u>\$ 4,650</u>	<u>\$ —</u>	<u>\$ 3,701</u>	<u>\$ 8,351</u>
Issuance of noncontrolling interests	—	957	—	957
Net loss attributable to noncontrolling interests - preferred	(800)	—	(91)	(891)
Comprehensive loss attributable to noncontrolling interests	30	—	—	30
Balance as of June 30, 2022	<u>\$ 3,880</u>	<u>\$ 957</u>	<u>\$ 3,610</u>	<u>\$ 8,447</u>
Issuance of noncontrolling interests	—	—	—	—
Net loss attributable to noncontrolling interests - preferred	(977)	(149)	(330)	(1,456)
Net loss attributable to noncontrolling interests - common	—	(358)	—	(358)
Comprehensive loss attributable to noncontrolling interests	47	1	—	48
Balance as of September 30, 2022	<u>\$ 2,950</u>	<u>\$ 451</u>	<u>\$ 3,280</u>	<u>\$ 6,681</u>

Non-consolidated VIEs

The Company evaluated the nature of its investments in Innoplexus AG (“Innoplexus”), DemeRx NB, Inc. (“DemeRx NB”) and IntelGenx and determined that the investments are VIEs as of the date of the Company’s initial investment through September 30, 2023. The Company is not the primary beneficiary of Innoplexus, DemeRx NB or IntelGenx as it did not have the power to direct the activities that most significantly impact the investments’ economic performance and therefore concluded that it did not have a controlling financial interest in each of Innoplexus, DemeRx NB or IntelGenx that would require consolidation as of September 30, 2023 and December 31, 2022.

The Company will reevaluate if the investments meet the definition of a VIE upon the occurrence of specific reconsideration events. The Company accounted for these investments under either the equity method, fair value option, or the measurement alternative included within ASC 321 (See Note 5). As of September 30, 2023, the Company's maximum exposure for its non-consolidated VIEs was \$3.6 million relating to the carrying values in Other investments and \$10.3 million relating to the carrying value in Long term notes receivable – related parties, net in the condensed consolidated balance sheets.

As of December 31, 2022, the Company's maximum exposure for its non-consolidated VIEs was \$6.8 million relating to the carrying values in its Other investments and \$7.2 million relating to the carrying value in Long term notes receivable—related parties, net in the condensed consolidated balance sheets.

5. Equity Method Investments and Other Investments

Equity Method Investments

As of September 30, 2023 and December 31, 2022, the Company accounted for the following investments in the investee's common stock under the equity method (amounts in thousands):

Investee	Date First Acquired	As of September 30, 2023		As of December 31, 2022	
		Common Stock Ownership %	Carrying Value	Common Stock Ownership %	Carrying Value
Innoplexus A.G.	August 2018	35.0%	\$ —	35.0%	\$ —
COMPASS Pathways plc	December 2018	15.5% ⁽¹⁾	—	22.4%	—
GABA Therapeutics, Inc	November 2020	7.5% ⁽²⁾	—	7.5% ⁽²⁾	—
Total			\$ —		\$ —

⁽¹⁾ The Company accounted for its investment in COMPASS Pathways plc under the equity method until August 18, 2023, the closing date of COMPASS Pathways plc's dilutive financing round described below in Other investments held at fair value.

⁽²⁾ The Company is deemed to have significant influence over this entity through its total ownership interest in the entity's equity, including the Company's investment in the respective entity's preferred stock, described below in Other Investments. The Company's total ownership interest, considering both preferred and common stock is 54.7%.

Other investments held at fair value

As of September 30, 2023 and December 31, 2022, the carrying values of Other investments held at fair value, were as follows (in thousands):

	September 30, 2023	December 31, 2022
COMPASS Pathways plc	\$ 70,787 ⁽¹⁾	\$ —
IntelGenx Technologies Corp.	724	—
Total	\$ 71,511	\$ —

⁽¹⁾ The Company accounted for its investment in COMPASS Pathways plc under the equity method until August 18, 2023, the closing date of COMPASS Pathways plc's dilutive financing round. Following the August 18, 2023 financing, the Company evaluated its ability to continue to exercise significant influence over its investment and determined that it no longer had significant influence and as such will account for its COMPASS investment under ASC 321 at fair value.

COMPASS Pathways plc

COMPASS Pathways plc ("COMPASS") is a mental health care company dedicated to pioneering the development of a new model of psilocybin therapy with its product COMP360. The Company first acquired investments in COMPASS in December 2018 with additional investments through 2021, resulting in the Company's ownership of COMPASS ADSs as of December 31, 2022 of 22.4%. On August 18, 2023, COMPASS closed its most recent financing round in which the Company did not participate. Following the financing, the Company's ownership interest in COMPASS was 15.5%.

For the year ended December 31, 2022 and the period through August 18, 2023, the Company maintained significant influence through its ownership interest and accounted for its investment in under the equity method.

The carrying value of the Company's investment in COMPASS was reduced to zero as of December 31, 2022 due to IPR&D charges with no alternative future use and the Company recognizing its proportionate share of COMPASS net losses. During 2023, the Company did not record any losses from investments in equity method investees. During the three months and nine months ended September 30, 2022, the Company recognized its proportionate share of COMPASS' net loss of \$0.6 million and \$10.1 million, respectively, as losses from investments in equity method investees, net of tax on the condensed consolidated statements of operations.

Following the August 18, 2023 financing, the Company evaluated its ability to continue to exercise significant influence over its investment and determined that it no longer had significant influence and as such will account for its COMPASS investment under ASC 321 at fair value. Any changes in fair value of the Company's investment in COMPASS will be recorded as a change in fair value of Other investments held at fair value in its condensed consolidated statements of operations.

Based on quoted market prices, the market value of the Company's ownership in COMPASS was \$70.8 million as of September 30, 2023. For the three and nine months ended September 30, 2023, the Company has recorded \$69.0 million of change in fair value of other investments held at fair value in its condensed consolidated statements of operations.

IntelGenx Technologies Corp.

IntelGenx is a novel drug delivery company focused on the development and manufacturing of novel oral thin film products for the pharmaceutical market. In March 2021, IntelGenx and the Company entered into the Strategic Development Agreement and Purchaser Rights Agreement ("PPA").

Securities Purchase Agreement

In May 2021, IntelGenx and the Company executed a Securities Purchase Agreement (the "IntelGenx SPA") after obtaining IntelGenx shareholder approval, whereby IntelGenx issued shares of its common stock and warrants to the Company at a price of approximately \$12.3 million. Each warrant (the "Initial Warrants") entitles the Company to purchase one share at a price of \$0.35 per share for a period of three years from the closing of the initial investment in March 2021. Pursuant to the IntelGenx SPA, the Company has the right to purchase (in cash, or in certain circumstances, the Company's equity) additional units for a period of three years from the closing of the initial investment (the "Additional Unit Warrants"). Each Additional Unit Warrant will be comprised of (i) one share of common stock and (ii) one half of one warrant (the "Additional Warrants"). The price for the Additional Unit Warrants will be (i) until the date which is 12 months following the closing and the purchase does not result in the Company owning more than 74,600,000 common shares of IntelGenx, \$0.331 (subject to certain exceptions), and (ii) until the date which is 12 months following the closing and the purchase results in the Company owning more than 74,600,000 common shares of IntelGenx or following the date which is 12 months following the closing regardless of the number of shares held by the Company, the lower of (A) a 20% premium to the volume weighted average price of the common share for the thirty trading days immediately preceding the news release of the additional closing, and (B) \$0.50 if purchased in the second year following closing or \$0.75, if purchased in the third year following closing. Each Additional Warrant will entitle the Company, for a period of three years from the date of issuance, to purchase one share at the lesser of either (i) a 20% premium to the price of the corresponding additional share, or (ii) the price per share under which shares of IntelGenx are issued under convertible instruments that were outstanding on February 16, 2021, provided that the Company may not exercise Additional Warrants to purchase more than the lesser of (x) 44,000,000 common shares of IntelGenx, and (y) the number of common shares issued by IntelGenx under outstanding convertibles held by other investors as of February 16, 2021.

Following the initial closing, the Company held a 25% voting interest in IntelGenx. Pursuant to the PPA, the Company is entitled to designate a number of directors to the IntelGenx's board of directors in the same proportion as the shares of common stock held by the Company to the outstanding of IntelGenx common shares. The Company has significant influence over IntelGenx through the Company's ownership interest in IntelGenx's equity and its noncontrolling representation on IntelGenx's board of directors.

The Company qualified for and elected to account for its investment in the IntelGenx common stock under the fair value option. The Company believes that the fair value option better reflects the underlying economics of the IntelGenx common stock investment. The Initial Warrants and the Additional Units Warrant are accounted for at fair value under ASC 321 and recorded in Other investments held at fair value on the condensed consolidated balance sheets. The Company applied a calibrated model and determined that the initial aggregate fair value of its \$12.3 million investment was equal to the transaction price and recorded the common shares at \$3.0 million, the Initial Warrants at \$1.2 million and the Additional Unit Warrants at \$8.2 million on a relative fair value basis resulting in no initial gain or loss recognized in the condensed consolidated statements of operations. The Company recognizes subsequent changes in fair value of the common shares, the Initial Warrants and the Additional Unit Warrants as a component of other income (expense), net in the condensed consolidated statements of operations. The carrying amount of the investment was reduced to zero as of December 31, 2021. During the three and nine months ended September 30, 2023, the Company recognized a zero mark-to-market ("MTM") gain/loss in the condensed consolidated statements of operations. The carrying value of the investment remained at zero as of September 30, 2023 and December 31, 2022, respectively.

Subscription Agreement

On August 30, 2023, IntelGenx and the Company entered into a subscription agreement (the "Subscription Agreement"), under which the Company paid IntelGenx \$2.2 million for 2,220 convertible debenture units (the "Initial Units"), with each convertible debenture unit consisting of:

(i) \$1,000 principal amount convertible promissory notes (the "2023 Initial Notes") bearing interest at a rate of 12.0% per annum, payable quarterly in arrears beginning September 30, 2023, with all principal and accrued interest convertible into common shares of IntelGenx, at

any time from the date that is six months following their issuance up to and including August 31, 2026 at a conversion price equal to \$0.185 per common share; and

(ii) 5,405 common share purchase warrants of IntelGenx (the “2023 Initial Warrants”), each exercisable at an exercise price of \$0.26 per common share for a period of three years following their issuance.

Pursuant to the Subscription Agreement, the Company agreed to subscribe for an additional 750 convertible debenture units (the “Subsequent Units”) at a price of \$750,000 subject to obtaining Shareholder Approvals (as defined below). The Subsequent Units shall be issued on the same terms as the Initial Units, with each Subsequent Unit consisting of (i) \$1,000 principal amount convertible promissory notes and (ii) 5,405 common share purchase warrants of IntelGenx. The purchase of the Subsequent Units shall occur five business days following the date on which Shareholder Approvals are obtained.

Amendment to Subscription Agreement

Effective September 30, 2023, IntelGenx and the Company amended the Subscription Agreement (the “Amended Subscription Agreement”), allowing the Company, subject to obtaining Shareholder Approvals (as defined below), to purchase up to an additional 7,401 convertible debenture units (the “Call Option Units”). The Call Option Units shall be issued on the same terms as the Initial Units, with each Call Option Unit consisting of (i) \$1,000 principal amount convertible promissory notes, and (ii) 5,405 common share purchase warrants of IntelGenx.

The issuance of any Call Option Unit shall result in a corresponding reduction in the Company's remaining purchase right pursuant to the IntelGenx SPA executed in May 2021 (the “2021 Purchase Right”), with such right to be reduced by the maximum number of shares of common stock issuable in connection with such Call Option Units, and (ii) in the event that the 2021 Purchase Right has been fully or partially exercised such that the aggregate number of shares of common stock issued thereunder together with the number of shares of common stock issuable in accordance with the Call Option Units would exceed 100,000,000, the number of shares of common stock that may be issued in connection with the Call Option Units shall be reduced such that the aggregate number of shares of common stock issued thereunder together with the number of shares of common stock issuable in accordance with the Call Option Units does not exceed 100,000,000. The maximum number of shares of common stock available under the 2021 Purchase Right was reduced from 130,000,000 shares of common stock to 100,000,000 shares of common stock, such that in no event shall the aggregate number of shares of common stock issuable in accordance with the Call Option Units and the 2021 Purchase Right exceed 100,000,000.

There are limits over the conversion of the Initial Units, Subsequent Units, Call Options Units and the IntelGenx Term Loan (as per the Conversion Feature defined in Note 6) into common shares as follows:

(i) the aggregate number of IntelGenx common stock issued upon conversion of the Initial Units, Subsequent Units, Call Options Units and the IntelGenx Term Loan to any holders shall be limited to 43,664,524 Unit Shares (the “General Cap”), which equals 24.99% of the issued and outstanding shares of common stock of IntelGenx as of the date of the Subscription Agreement, unless the General Shareholder Approval (as defined below) is obtained; and

(ii) the aggregate number of IntelGenx common stock issued upon conversion of the Initial Units, Subsequent Units, Call Options Units and the IntelGenx Term Loan to insiders of IntelGenx shall be limited to 17,645,809 Unit Shares (the “Insider Issuance Cap”), which equals 9.99% of the issued and outstanding shares of common stock of IntelGenx as of the date of the Subscription Agreement, unless the Insider Shareholder Approval (as defined below) is obtained.

The Subsequent Units and the Call Option Units may not be exercised by the Company, in full or in part, unless the Pricing Shareholder Approval (as defined below) is obtained.

“General Shareholder Approval” means the approval by the shareholders of IntelGenx of the issuance of shares in connection with the Subscription Agreement, the Amendment to Subscription Agreement and the IntelGenx Term Loan above the General Cap.

“Insider Shareholder Approval” means the approval by the disinterested shareholders of IntelGenx to issue shares to insiders of IntelGenx in connection with the Subscription Agreement, the Amendment to Subscription Agreement and the IntelGenx Term Loan above the Insider Issuance Cap.

“Pricing Shareholder Approval” means, the approval by the disinterested shareholders of IntelGenx of (i) the conversion of the convertible promissory notes underlying the Subsequent Units and Call Option Units at a price of \$0.185 per share of common stock, which may be less than the market price of the shares of common stock of IntelGenx, less the maximum allowable discount permitted under the rules of the Toronto Stock Exchange (the “TSX”) at the time of issuance of such notes, as applicable, in accordance with Section 607(e) of the TSX Company Manual, and (ii) the exercise of common share purchase warrants of IntelGenx underlying the Subsequent Units and Call Option Units at an exercise price of \$0.26 per share of common stock, which may be less than the market price of the shares of common

stock of IntelGenx at the time of issuance of such warrants, as applicable, in accordance with Section 607(i) of the TSX Company Manual.

“Shareholder Approvals” means, collectively, the General Shareholder Approval, the Insider Shareholder Approval and the Pricing Shareholder Approval. IntelGenx intends to seek the Shareholder Approvals at an upcoming special meeting of its shareholders to be held on November 28, 2023.

The 2023 Initial Warrants are accounted for at fair value under ASC 321. At September 30, 2023, the Company recorded the \$0.7 million fair value of the 2023 Initial Warrants in Other investments held at fair value on the condensed consolidated balance sheets. The Company will recognize subsequent changes in fair value of the 2023 Initial Warrants as a component of other income (expense), net in the condensed consolidated statements of operations. See Note 6 for further discussion of the 2023 Initial Notes.

Strategic Development Agreement

Pursuant to the Strategic Development Agreement, the Company engages IntelGenx to conduct research and development projects (“Development Project”) using IntelGenx’s proprietary oral thin film technology. Under the terms of the Strategic Development Agreement, the Company can select four (4) program products. As of the effective date of the Strategic Development Agreement, the Company nominated two (2) program products - DMT and Salvinorin A. 20% of any funds that IntelGenx received or will receive through the Company’s equity investment under the IntelGenx SPA will be available to be credited towards research and development services that IntelGenx conducts for the Company under the Development Projects. The Company is eligible to receive a total credit of \$2.5 million. For the three and nine months ended September 30, 2023, research and development expense relating to the Strategic Development Agreement were \$0.1 million and \$0.3 million, which was applied as a reduction in research and development expenses in accordance with the Strategic Development Agreement. For the three and nine months ended September 30, 2022, there was an immaterial amount of research and development services performed in relation to the Strategic Development Agreement.

Other investments

The Company has accounted for its other investments that do not have a readily determinable fair value under the measurement alternative. Under the measurement alternative, the Company measured its other investments at cost, less any impairment, plus or minus, if any, observable price changes in orderly transactions for an identical or similar investment of the same issuer.

As of September 30, 2023 and December 31, 2022, the carrying values of other investments, which consisted of investments in the investee’s preferred stock and common stock not in the scope of ASC 323 were as follows (in thousands):

	September 30, 2023	December 31, 2022
GABA Therapeutics, Inc.	\$ 2,635	\$ 5,387
DemeRx NB, Inc.	1,024	1,024
Juvenescence Limited	—	344
Total	<u>\$ 3,659</u>	<u>\$ 6,755</u>

The Company’s investments in the preferred stock of Innoplexus, GABA, and DemeRx NB are not considered as in-substance common stock due to the existence of substantial liquidation preferences and therefore did not have subordination characteristics that were substantially similar to the common stock.

As of December 31, 2022 the Company’s investment in Juvenescence Limited (“Juvenescence”) was in common stock, however, it was not able to exercise significant influence over the operating and financial decisions of Juvenescence. During the three months ended September 30, 2023, the Company divested its investment in Juvenescence Limited (“Juvenescence”) and recognized a \$0.1 million gain on the transaction reflected in other income on the condensed consolidated statements of operations.

During the three and nine months ended September 30, 2023 and 2022 there were no observable changes in price recorded related to the Company’s Other investments.

During the three and nine months ended September 30, 2023 and 2022, the Company evaluated all of its other investments to determine if certain events or changes in circumstance during these time periods in 2023 and 2022 had a significant adverse effect on the fair value of any of its investments in non-consolidated entities. Based on this analysis, the Company did not note any impairment indicators associated with the Company’s Other investments.

Innoplexus AG

Innoplexus is a technology company that provides “Data as a Service” and “Continuous Analytics as a Service” solutions that aims to help healthcare organizations leverage their technologies and expedite the drug development process across all stages—preclinical, clinical, regulatory and commercial. The Company first acquired investments in Innoplexus in August 2018.

As of December 31, 2020, the Company owned 35.0% of the common stock issued by Innoplexus. The Company had significant influence over Innoplexus through its noncontrolling representation on the investee’s supervisory board. Accordingly, the Company’s investment in Innoplexus’ common stock was accounted for in accordance with the equity method. The Company’s investment in Innoplexus’ preferred stock did not meet the criteria for in-substance common stock. As such, the investment in Innoplexus’ preferred stock was accounted for under the measurement alternative as discussed below.

In February 2021, the Company entered into a Share Purchase and Assignment Agreement (the “Innoplexus SPA”) to sell its shares of common and preferred stock held in Innoplexus to a current investor of Innoplexus (the “Purchaser”) in exchange for an initial purchase price of approximately \$2.4 million. In addition, the Company is entitled to receive contingent payments based on the occurrence of subsequent equity transactions or liquidity events at Innoplexus as determined under the Innoplexus SPA.

Pursuant to the Innoplexus SPA, the Purchaser is required to hold a minimum number of shares equivalent to the number of shares purchased from the Company through December 31, 2026. In the event that the Purchaser is in breach of this requirement, the purchaser is required to pay the Company an additional purchase price of approximately \$9.6 million. The transaction was accounted for as a secured financing as it did not qualify for sale accounting under ASC Topic 860, *Transfers and Servicing* (ASC 860), due to the provision under the Innoplexus SPA which constrained the Purchaser from its right to pledge or exchange the underlying shares and provided more than a trivial benefit to the Company. The initial proceeds from the transaction are reflected as a secured borrowing liability of \$2.3 million and \$2.4 million as of September 30, 2023 and December 31, 2022, which is included in Other liabilities in the Company’s condensed consolidated balance sheets. The Company will continue to account for its investment in Innoplexus’ common stock under the equity method of accounting and its investment in Innoplexus’ preferred shares under the measurement alternative.

In addition, the Innoplexus SPA also provides the right for the Company to receive additional consideration with a maximum payment outcome of \$22.3 million should the equity value of Innoplexus exceed certain thresholds upon the occurrence of certain events. The Company concluded that this feature met the definition of a derivative which required bifurcation. As the probability of the occurrence of certain events defined in the Innoplexus SPA was less than remote, the Company concluded that the fair value of the embedded derivative ascribed to this feature was de minimis as of September 30, 2023.

The carrying value of the Company’s investment in Innoplexus was zero as of September 30, 2023 and December 31, 2022.

GABA Therapeutics, Inc.

GABA is a California based biotechnology company focused on developing GRX-917 for anxiety, depression and a broad range of neurological disorders. The Company is deemed to have significant influence over GABA through its total ownership interest in GABA’s equity, including the Company’s investment in GABA’s preferred stock, and the Company’s noncontrolling representation on GABA’s board of directors.

Common Stock Investment

The Company’s investment in GABA’s common stock was accounted for in accordance with the equity method.

In November 2020 the Company exercised its option to purchase additional shares of common stock of GABA at a price of approximately \$1.8 million pursuant to an Omnibus Amendment Agreement under which the Right of First Refusal and Co-Sale Agreement was amended. Pursuant to the amended Right of First Refusal and Co-Sale Agreement, the Company also has the option but not the obligation to purchase additional shares of common stock for up to \$2.0 million from the existing common shareholders.

The carrying value of the investment in GABA common stock was reduced to zero as of December 31, 2020 due to IPR&D charges with no alternative future use and remained zero as of September 30, 2023.

Preferred Stock Investment

The Company’s investment in GABA’s preferred stock did not meet the criteria for in-substance common stock. As such, the investment in GABA’s preferred stock is accounted for under the measurement alternative.

In August 2019, GABA and the Company entered into the Preferred Stock Purchase Agreement (the “GABA PSPA”), whereby GABA issued shares of its Series A preferred stock to the Company at a price of approximately \$5.5 million. At closing, the Company had an overall ownership interest of over 20% in GABA and a noncontrolling representation on the board.

Pursuant to the GABA PSPA, the Company was obligated to purchase additional shares of Series A preferred stock for up to \$10.0 million with the same price per share as its initial investment, upon the achievement of specified contingent clinical development milestones. In April 2021, pursuant to the GABA PSPA, the Company purchased additional shares of Series A preferred stock of GABA, for an aggregate cost of \$5.0 million based on the achievement of certain development milestones. In May 2021, the Company exercised its option to purchase additional shares of Series A preferred stock prior to the achievement of certain development milestone for an aggregate cost of \$5.0 million completing its obligation to purchase additional shares. The completion of the Series A Preferred stock purchase in May 2021 was deemed to be a reconsideration event at which point GABA was no longer deemed a VIE as GABA now had sufficient equity at risk to finance its activities through the initial development period without additional subordinated financial support. Entities that do not qualify as a VIE are assessed for consolidation under the voting interest model (“VOE model”). Under the VOE model, the Company consolidates the entity if it determines that it, directly or indirectly, has greater than 50% of the voting shares and that other equity holders do not have substantive voting, participating or liquidation rights. While the Company holds greater than 50% of the outstanding equity interest of GABA, the Company does not have the power to control the entity. Concurrent with the exercise of the option, the Company executed a side letter with the other equity holders of GABA agreeing to forego the rights to additional seats on the board of directors, resulting in the Company lacking the ability to control the investee. The Company concluded that it does not have a controlling financial interest that would require consolidation under the VOE model and accounted for the investments in GABA preferred stock under the measurement alternative per ASC 323. As of September 30, 2023 and December 31, 2022, the investment in GABA's preferred stock was recorded in Other Investments on the condensed consolidated balance sheets.

In May 2021, GABA and the Company entered into an Amendment to Preferred Stock Purchase Agreement (the "Amended GABA PSPA") under which the GABA PSPA was amended and shares of its Series A preferred stock were issued to the Company at a price of approximately \$0.6 million. Pursuant to the Amended GABA PSPA, the Company is obligated to purchase additional shares of Series A preferred stock from GABA for up to \$1.5 million with the same price per share as its initial investment upon the achievement of specified contingent clinical development milestones. In September 2022, pursuant to the Amended PSPA, GABA issued additional shares of its Series A preferred stock to the Company at a price of approximately \$0.6 million based on the achievement of certain development milestones. As of September 30, 2023 the Company's remaining obligation to purchase additional shares of Series A preferred stock from GABA is for up to \$0.9 million at the same price per share as its initial investment upon the achievement of specified contingent milestones.

In accordance with the Amended GABA PSPA, the Company also has the option but not the obligation to purchase the aforementioned additional shares of Series A preferred stock at any time prior to the achievement of any milestone at the same price per share as its initial investment.

GABA's net losses attributable to the Company were determined based on the Company's ownership percentage of preferred stock in GABA and recorded to the Company's investments in GABA preferred stock. During the three months ended September 30, 2023 and 2022, the Company recognized its proportionate share of GABA's net loss of \$0.2 million and \$1.8 million as losses from investments in equity method investees, net of tax on the condensed consolidated statements of operations. During the nine months ended September 30, 2023 and 2022, the Company recognized its proportionate share of GABA's net loss of \$3.2 million and \$4.5 million as losses from investments in equity method investees, net of tax on the condensed consolidated statements of operations.

DemeRx NB

In December 2019, the Company jointly formed DemeRx NB with DemeRx. DemeRx and DemeRx NB entered into a Contribution Agreement whereby DemeRx assigned all of its rights, title, and interests in and to all of its assets relating to DMX-1002, Noribogaine, in exchange for shares of common stock of DemeRx NB. DemeRx NB will use the contributed intellectual property to develop Noribogaine. Noribogaine is an active metabolite of ibogaine designed to have a longer plasma half-life and potentially reduced hallucinogenic effects compared to ibogaine.

In connection with the Contribution Agreement, the parties entered into a Series A Preferred Stock Purchase Agreement (the “DemeRx NB PSPA”) pursuant to which the Company purchased shares of Series A preferred stock of DemeRx NB at a purchase price of \$1.0 million. At closing, the Company had less than 20% of ownership interest in DemeRx NB and a noncontrolling representation on DemeRx NB's board of directors. The investment in DemeRx NB was recorded in Other Investments on the condensed consolidated balance sheets under the measurement alternative under ASC 321.

Pursuant to the DemeRx NB PSPA, the Company also has the option but not the obligation to purchase additional shares of DemeRx NB's Series A preferred stock at a purchase price of up to an aggregate of \$19.0 million with the same price per share as its initial investment in December 2019. As of September 30, 2023, the Company has not exercised its option to purchase any shares of Series A preferred stock of DemeRx NB.

Summarized Financial Information

The following is a summary of financial data for investments accounted for under the equity method of accounting (in thousands). The Company accounted for its COMPASS investment under equity method of accounting through August 18, 2023 (see further details above).

Summarized financial information is presented as of September 30, 2023 as this information is not readily available as of August 18, 2023 and the Company has no practical way to estimate otherwise.

Balance Sheets

	September 30, 2023	
	COMPASS	GABA
Current assets	\$ 284,806	\$ 1,654
Non-current assets	14,227	—
Total assets	<u>\$ 299,033</u>	<u>\$ 1,654</u>
Current liabilities	\$ 15,350	\$ 1,519
Non-current liabilities	30,428	—
Total liabilities	<u>\$ 45,778</u>	<u>\$ 1,519</u>

	December 31, 2022	
	COMPASS	GABA
Current assets	\$ 191,651	\$ 3,933
Non-current assets	5,643	—
Total assets	<u>\$ 197,294</u>	<u>\$ 3,933</u>
Current liabilities	\$ 15,596	\$ 1,542
Non-current liabilities	418	—
Total liabilities	<u>\$ 16,014</u>	<u>\$ 1,542</u>

Statements of operations

	Three Months Ended September 30, 2023	
	COMPASS	GABA
Revenue	\$ —	\$ —
Loss from continuing operations	\$ (34,062)	\$ (238)
Net loss	<u>\$ (33,389)</u>	<u>\$ (238)</u>

	Three Months Ended September 30, 2022	
	COMPASS	GABA
Revenue	\$ —	\$ —
Loss from continuing operations	\$ (25,536)	\$ (2,060)
Net loss	<u>\$ (18,371)</u>	<u>\$ (2,060)</u>

	Nine Months Ended September 30, 2023	
	COMPASS	GABA
Revenue	\$ —	\$ —
Loss from continuing operations	\$ (98,514)	\$ (3,199)
Net loss	<u>\$ (85,932)</u>	<u>\$ (3,199)</u>

	Nine Months Ended September 30, 2022	
	COMPASS	GABA
Revenue	\$ —	\$ —
Loss from continuing operations	\$ (78,212)	\$ (5,630)
Net loss	<u>\$ (60,579)</u>	<u>\$ (5,630)</u>

6. Notes Receivable

Convertible notes receivable - related party

IntelGenx Convertible Notes

On August 30, 2023, the Company and IntelGenx entered into the Subscription Agreement (as defined in Note 5), under which the Company paid IntelGenx \$2.2 million for 2,220 convertible debenture units (the "Initial Units"), with each convertible debenture unit consisting of:

- (i) \$1,000 principal amount convertible promissory notes (the "2023 Initial Notes") bearing interest at a rate of 12.0% per annum, payable quarterly in arrears beginning September 30, 2023, with all principal and accrued interest convertible into common shares of IntelGenx, at any time from the date that is six months following their issuance up to and including August 31, 2026 at a conversion price equal to \$0.185 per common share; and
- (ii) 5,405 common share purchase warrants of IntelGenx, each exercisable at an exercise price of \$0.26 per common share for a period of three years following their issuance.

There are certain conversion limits in connection with the 2023 Initial Notes as it relates to the 2023 Initial Notes and the other IntelGenx instruments held by the Company. See Note 5 for further discussion of these conversion limits.

The Company is eligible to elect the fair value option to account for its investment in the 2023 Initial Notes and believes that the fair value option better reflects the underlying economics of the 2023 Initial Notes. At September 30, 2023, the Company recorded the \$1.5 million fair value of the 2023 Initial Notes in Convertible notes receivable - related party on the condensed consolidated balance sheets. The 2023 Initial Notes will be subsequently remeasured at each reporting date until settled or converted. The Company will recognize accrued interest and subsequent changes in fair value of the 2023 Initial Notes in Changes in fair value of convertible notes receivable - related party in its consolidated statements of operations. During the three months ended September 30, 2023, the Company recorded a \$0.1 million change in fair value of Convertible notes receivable - related party for the interest accrued on the 2023 Initial Notes.

Long Term Notes Receivable – Related Parties, net

IntelGenx Term Loan

In March 2021, the Company and IntelGenx entered into a loan agreement (the "Original Loan Agreement") under which the Company provided a loan to IntelGenx for an aggregate principal amount of \$2.0 million. In May 2021, the Company paid an additional advance of \$0.5 million as an additional term loan. In September 2021, the Company entered into an amended and restated loan agreement which, among other things, increased the principal amount of loans available to IntelGenx by \$6.0 million, for a total of up to \$8.5 million. The additional \$6.0 million loan amount was funded via two separate \$3.0 million tranches. The first \$3.0 million tranche was funded in January 2022 and the second \$3.0 million tranche was funded in January 2023. The loan bears an annualized interest rate of 8% and such interest is accrued daily.

On August 31, 2023, the Company and IntelGenx entered into the first amendment to the amended and restated loan agreement (the "First Amendment") which, among other things, extended the maturity date from January 5, 2024 to January 5, 2025 and granted the Company additional security over any non-licensed intellectual property owned or controlled by IntelGenx. The Company determined that this modification does not have a material impact on the amortized cost basis of the IntelGenx Term Loan (as defined below).

Effective September 30, 2023, the Company and IntelGenx entered into a second amendment to the amended and restated loan agreement (the "Second Amendment", and together with the Original Loan Agreement and the First Amendment, the "IntelGenx Term Loan") which, among other things, entitles the Company to convert any portion of the outstanding and unpaid principal and accrued interest into common shares of IntelGenx at a conversion price per share of \$0.185 (the "Conversion Feature").

In November 2023, the Autorité des marchés financiers informed IntelGenx that it considers the Second Amendment to be subject to the minority vote prescribed by applicable Canadian securities regulations. Therefore, the IntelGenx shareholder approval is required for the Company to be able to exercise its rights to the Conversion Feature available under the Second Amendment, and the Company will not account for the Second Amendment until required shareholder approval is obtained. See Note 5 for additional information about the required shareholder approvals.

Pursuant to the terms of the IntelGenx Term Loan, upon the occurrence of an event of default, the Company may accelerate the IntelGenx Term Loan and declare the principal and any accrued and unpaid interests of the IntelGenx Term Loan to be immediately due and payable. In addition, IntelGenx may prepay the IntelGenx Term Loan in whole or in part at any time without premium or penalty. Any prepayment

of the principal shall be accompanied by a payment of interest accrued to date thereon. The Company concluded that these embedded features do not meet the criteria to be bifurcated and separately accounted for as derivatives.

As of September 30, 2023, the IntelGenx Term Loan was recorded in Long term notes receivable – related parties, net on the Company's condensed consolidated balance sheets, which includes the principal balance of the IntelGenx Term Loan, accrued interest and allowance for credit losses. On January 1, 2023, the Company adopted ASU 2016-13 Financial Instruments — Credit Losses and applied a modified-retrospective transition approach through a cumulative-effect adjustment to retained earnings of \$0.4 million, representing the allowance for credit losses for the IntelGenx Term Loan. During the three and nine months ended September 30, 2023 and 2022, the Company recorded an immaterial increase to the allowance. In its assessment of the IntelGenx Term Loan and related amendments at September 30, 2023, the Company determined that IntelGenx was experiencing indicators of financial difficulties. However, considering the underlying collateral and other settlement terms available, the Company does not deem it probable that it will not collect the IntelGenx Term Loan balance from IntelGenx.

For the three months ended September 30, 2023 and 2022, the Company recognized \$0.2 million and \$0.1 million of interest income, respectively, associated with the IntelGenx Term Loan. For the nine months ended September 30, 2023 and 2022, the Company recognized \$0.5 million and \$0.3 million of interest income, respectively, associated with the IntelGenx Term Loan. As of September 30, 2023 and December 31, 2022, the IntelGenx Term Loan has an outstanding principal balance of \$8.5 million and \$5.5 million, respectively.

DemeRx Promissory Note

In January 2020, DemeRx IB loaned to DemeRx Inc. \$1.0 million pursuant to the terms of a Promissory Note (the "DemeRx Note"). Pursuant to the terms of the DemeRx Note, the aggregate principal amount of \$1.0 million together with all accrued and unpaid interest and any other amounts payable are due to be paid on the date that is the earlier of (i) 5 years from the initial closing and (ii) the closing of an initial public offering or a deemed liquidation event of DemeRx IB (the "DemeRx Maturity Date"). Pursuant to the terms of the DemeRx Note, DemeRx Inc. may, in its sole discretion pay any amount due under the DemeRx Note, in cash or through cancellation shares of common stock of DemeRx IB, par value \$0.0001 per share, of the fair market value of such shares.

The Company recorded the DemeRx Note at cost which included the principal balance of the DemeRx Note and accrued interest in Long term notes receivable - related parties, net on its condensed consolidated balance sheets. On January 1, 2023, the Company adopted ASU 2016-13 Financial Instruments — Credit Losses and applied a modified-retrospective transition approach through a cumulative-effect adjustment to retained earnings of \$0.1 million, representing the allowance for credit losses for the DemeRx Note. During the three and nine months ended September 30, 2023, the Company recorded an immaterial increase to the allowance.

For the three and nine months ended September 30, 2023 and 2022, the Company did not recognize any interest income associated with the DemeRx Note. As of September 30, 2023, and December 31, 2022, respectively, the DemeRx Note had an outstanding balance of \$1.1 million and \$1.1 million, respectively.

7. Fair Value Measurement

The following table presents information about the Company's financial assets and liabilities that are measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation (in thousands):

	Fair Value Measurements As of September 30, 2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Cash & Money market funds	\$ 650	\$ —	\$ —	\$ 650
Investment in securities at fair value:				
U.S. Treasuries	—	85,122	—	85,122
Commercial Paper	—	—	—	—
Corporate Notes/Bonds	—	4,925	—	4,925
U.S. Government Agencies	—	42,456	—	42,456
Other investment at fair value	70,787	—	724	71,511
Convertible notes receivable - related party	—	—	1,519	1,519
	<u>\$ 71,437</u>	<u>\$ 132,502</u>	<u>\$ 2,243</u>	<u>\$ 206,183</u>
Liabilities:				
Contingent consideration liability - related parties	\$ —	\$ —	\$ 900	\$ 900
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 900</u>	<u>\$ 900</u>

	Fair Value Measurements As of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Cash & Money market funds	\$ 72,334	\$ —	\$ —	\$ 72,334
Investment in securities at fair value:				
U.S. Treasuries	—	—	—	—
Commercial Paper	—	5,958	—	5,958
Corporate Notes/Bonds	—	17,719	—	17,719
U.S. Government Agencies	—	58,819	—	58,819
Other investment at fair value	—	—	—	—
	<u>\$ 72,334</u>	<u>\$ 82,496</u>	<u>\$ —</u>	<u>\$ 154,830</u>
Liabilities:				
Contingent consideration liability - related parties	\$ —	\$ —	\$ 953	\$ 953
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 953</u>	<u>\$ 953</u>

Investment Securities Portfolio - Fair Value Option

The Company elected the fair value option for the securities in the investment portfolio. The fair value is based on quoted market prices, when available. When a quoted market price is not readily available, the Company uses the market price from its last sale of similar assets. The cash and cash equivalents held by the Company are categorized as Level 1 investments as quoted market prices are readily available for these investments. All other investments in the investment portfolio are categorized as Level 2 investments as inputs utilized to fair value these securities are either directly or indirectly observable, such as the market price from the last sale of similar assets.

The Company purchases investment grade marketable debt securities which are rated by nationally recognized statistical credit rating organizations in accordance with its investment policy. This policy is designed to minimize the Company's exposure to credit losses and to ensure that the adequate liquidity is maintained at all times to meet anticipated cash flow needs.

The unrealized gains and losses on the available-for-sale securities, represented by change in the fair value of the investment portfolio, is reported in other income (expense), net in the condensed consolidated statements of operations. Since the investment in the available-for-sale securities are already measured at fair value, no separate credit losses would be recorded in the condensed consolidated financial statements.

Contingent Consideration Liability—Related Parties—Perception, InnarisBio, and TryptageniX

The contingent consideration liability—related parties in the table above relates to milestone and royalty payments in connection with the acquisition of Perception Neuroscience Holdings, Inc. (“Perception”), InnarisBio and TryptageniX. The fair value of the contingent consideration liability—related parties was determined based on significant inputs not observable in the market, which represent Level 3 measurements within the fair value hierarchy. The fair value of the contingent milestone and royalty liabilities was estimated based on the discounted cash flow valuation technique. The technique considered the following unobservable inputs:

- the probability and timing of achieving the specified milestones and royalties as of each valuation date,
- the probability of executing the license agreement,
- the expected first year of revenue, and
- market-based discount rates

The fair value of the contingent milestone and royalty liabilities for InnarisBio was estimated to be \$0.1 million and \$0.1 million as of September 30, 2023 and December 31, 2022, respectively.

The fair value of the Perception contingent milestone and royalty liabilities could change in future periods depending on prospects for the outcome of R-Ketamine milestone meetings with the FDA or other regulatory authorities, and whether the Company realizes a significant increase or decrease in sales upon commercialization. The most significant assumptions in the discounted cash flow valuation technique that impacts the fair value of the milestone contingent consideration are the projected milestone timing and the probability of the milestone being met. Further, significant assumptions in the discounted cash flow that impacts the fair value of the royalty contingent consideration are the projected revenue over ten years, the timing of royalties on commercial revenue, and the probability of success rate for a commercial R-Ketamine product. The valuations as of September 30, 2023 and December 31, 2022, respectively, used inputs that were unobservable inputs with the most significant being the discount rates for royalties on projected commercial revenue and clinical milestones and probability of success estimates over the following ten years, which represent Level 3 measurements within the fair value hierarchy.

The fair value of the contingent milestone and royalty liabilities for Perception was estimated to be \$0.6 million and \$0.6 million as of September 30, 2023 and December 31, 2022, respectively.

The fair value of the Perception contingent consideration liability - related parties was calculated using the following significant unobservable inputs:

Valuation Technique	Significant Unobservable Inputs	September 30, 2023	December 31, 2022
		Input Range	Input Range
Discounted cash flow	Milestone contingent consideration:		
	Discount rate	14.9%	13.1%
	Probability of the milestone	28.0%	10.0% - 21.0%
Discounted cash flow with SBM	Royalty contingent consideration:		
	Discount rate for royalties	14.2% - 15.7%	20.0% - 21.1%
	Discount rate for royalties on milestones	14.2% - 15.7%	12.3% - 13.4%
	Probability of success rate	13.4% - 28.0%	10.1% - 21.0%

The fair value of the contingent liability for TryptageniX was estimated to be \$0.2 million and \$0.2 million as of September 30, 2023, and December 31, 2022, respectively. The contingent liability is comprised of R&D milestone success fee payments and royalties payments. The fair value of the success fee liability was estimated based on the scenario-based method within the income approach. The fair value of the contingent liability for TryptageniX was determined based on significant unobservable inputs, including the discount rate, estimated probabilities of success, and timing of achieving certain clinical milestones. The fair value of the royalties liability was determined to be de minimis as the products are in the early stages of development. The Company will continue to assess the appropriateness of the fair value of the contingent liability as the products continue through development.

IntelGenx Convertible Notes Receivable

The fair value of the IntelGenx 2023 Initial Notes at issuance was estimated based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy. The fair value of the 2023 Initial Notes was estimated as the present value of the debt cash-flows plus the present value of the conversion option while incorporating the probability of IntelGenx shareholder approval. The fair value of the conversion option of the 2023 Initial Notes was estimated using a Binomial Lattice model in a risk-neutral framework in order to account for the Issuer Conversion Rights, which allows for the Issuer's rights to force early conversion. The significant unobservable inputs that are included in the valuation of the 2023 Initial Notes as of September 30, 2023 are (i) discount rate of 51.25% based on an assessment of IntelGenx credit risk and market yields of companies with similar credit risk, (ii) volatility of 105% and (iii) probability of Shareholder Approvals of 85%. The fair value of the 2023 Initial Notes at issuance was estimated at \$1.5 million.

IntelGenx Common Stock, Initial Warrants, Additional Unit Warrants and 2023 Initial Warrants

The Company's investment in IntelGenx consists of Common Stock, Initial Warrants, Additional Unit Warrants, and 2023 Initial Warrants (the Initial Warrants, Additional Unit Warrants and 2023 Initial Warrants are collectively referred to as the "Warrants"). The Company determined that the Warrants do not meet the definition of a derivative instrument under ASC 815. The Company has classified the Common Stock as Level 2 assets and the Warrants as Level 3 assets in the fair value hierarchy. The Company determined that the initial aggregate fair value was equal to the transaction price and recorded the Common Stock at \$3.0 million, the Initial Warrants at \$1.2 million and the Additional Unit Warrants at \$8.2 million on a relative fair value basis resulting in no initial gain or loss recognized in the condensed consolidated statements of operations. The Warrants are measured at fair value on a quarterly basis and any changes in the fair value will be recorded as a component of other income (expense), net in the condensed consolidated statements of operations.

The fair value of Common Stock is estimated by applying a discount for lack of marketability ("DLOM") of 5.0% as of September 30, 2023 and December 31, 2022. The Company estimated a DLOM in connection with the valuation of the Common Stock to reflect the restrictions associated with the Common Stock. As of September 30, 2023 and December 31, 2022, the only restriction that remains is the unregistered nature of the Common Stock. The fair value of Common Stock, which is included in Other investments held at fair value in the condensed consolidated balance sheets, was zero as of September 30, 2023 and December 31, 2022.

The Initial Warrant asset was recorded at fair value utilizing the Black-Scholes option pricing model. The Black Scholes option pricing model is based on the estimated market value of the underlying common stock at the valuation measurement date, the remaining contractual term of the warrant, risk-free interest rates, expected dividends, and expected volatility of the price of the underlying common stock. The expected volatility is based on a peer group volatility which is a Level 3 input within the fair value hierarchy. The fair value of

the Initial Warrants, which is included in Other investments held at fair value in the condensed consolidated balance sheets, was zero as of September 30, 2023 and December 31, 2022.

The following table summarizes significant unobservable inputs that are included in the valuation of the Initial Warrants as of September 30, 2023 and as of December 31, 2022:

	September 30, 2023	December 31, 2022
Value of Underlying	\$ 0.13	\$ 0.19
Expected Volatility	105 %	100 %

The fair value of the Additional Unit Warrants is estimated using a Binomial Lattice in a risk-neutral framework (a special case of the Income Approach). Specifically, the future stock price of the IntelGenx is modeled assuming a Geometric Brownian Motion in a risk-neutral framework. For each modeled future price, the Additional Unit Warrants are calculated based on the contractual terms (incorporating any optimal early exercise), and then discounted at the term-matched risk-free rate. Finally, the value of the Additional Unit Warrants is calculated as the probability-weighted present value over all future modeled payoffs. The fair value of the Additional Unit Warrants, which is included in Other investments held at fair value in the condensed consolidated balance sheets, was zero as of September 30, 2023 and December 31, 2022.

The following table summarizes significant unobservable inputs that are included in the valuation of the Additional Units Warrant as of September 30, 2023 and as of December 31, 2022:

	September 30, 2023	December 31, 2022
Value of Underlying	\$ 0.13	\$ 0.19
Expected Volatility	105 %	100 %

The 2023 Initial Warrants asset was recorded at fair value utilizing the Black-Scholes option pricing model. The Black Scholes option pricing model is based on the estimated market value of the underlying common stock at the valuation measurement date, the remaining contractual term of the warrant, risk-free interest rates, expected dividends, and expected volatility of the price of the underlying common stock. The expected volatility is based on a peer group volatility which is a Level 3 input within the fair value hierarchy. The fair value of the 2023 Initial Warrants, which is included in Other investments held at fair value in the condensed consolidated balance sheets, was \$0.7 million as of September 30, 2023.

The following table summarizes significant unobservable inputs that are included in the valuation of the 2023 Initial Warrants as of September 30, 2023:

	September 30, 2023
Value of Underlying	\$ 0.13
Expected Volatility	105 %

The following table provides a roll forward of the aggregate fair values of the Company's financial instruments described above, for which fair value is determined using Level 3 inputs (in thousands):

	Convertible notes receivable - related party	IntelGenx Warrants ⁽¹⁾	Contingent Consideration Liability - Related Parties
Balance as of December 31, 2022	\$ —	\$ —	\$ 953
Initial fair value of instrument	—	—	—
Change in fair value	—	—	(35)
Extinguishment of liability	—	—	—
Balance as of March 31, 2023	\$ —	\$ —	\$ 918
Initial fair value of instrument	—	—	—
Change in fair value	—	—	(76)
Extinguishment of liability	—	—	—
Balance as of June 30, 2023	\$ —	\$ —	\$ 842
Initial fair value of instrument	1,497	724	—
Change in fair value, including interest	22	—	58
Extinguishment of liability	—	—	—
Balance as of September 30, 2023	\$ 1,519	\$ 724	\$ 900

⁽¹⁾ Inclusive of IntelGenx Initial Warrants, Additional Unit Warrants and 2023 Initial Warrants.

		Contingent Consideration Liability - Related Parties
Balance as of December 31, 2021	\$	2,483
Initial fair value of instrument		—
Change in fair value		—
Extinguishment of liability		(50)
Balance as of March 31, 2022	\$	2,433
Initial fair value of instrument		—
Change in fair value		(95)
Extinguishment of liability		—
Balance as of June 30, 2022	\$	2,338
Initial fair value of instrument		—
Change in fair value		(430)
Extinguishment of liability		—
Balance as of September 30, 2022	\$	1,908

8. Prepaid Expenses and Other Current Assets

Prepaid expenses consist of the following (in thousands):

	September 30, 2023	December 31, 2022
Prepaid insurance	\$ 2,131	\$ 2,034
Prepaid research and development related expenses	2,564	4,626
Tax receivables	1,497	5,631
Other	638	1,745
Total	\$ 6,831	\$ 14,036

9. Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

	September 30, 2023	December 31, 2022
Accrued accounting, legal, and other professional fees	\$ 3,494	\$ 3,566
Accrued external research and development expenses	3,964	5,550
Accrued payroll	4,201	5,260
Taxes payable	887	2,224
Other liabilities	463	706
Total	\$ 13,008	\$ 17,306

10. Leases

In February 2016, the FASB issued ASU 2016-02, “Leases” Topic 842, which amends the guidance in former ASC Topic 840, *Leases*.

Operating lease Right-of-Use (“ROU”) assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. The operating lease ROU asset also includes lease payments made, lease incentives, and initial direct costs incurred, if any.

The discount rate implicit within the Company's leases is generally not determinable and therefore the Company determines the discount rate based on its incremental borrowing rate, which is based on the information available at commencement date. As of September 30, 2023, the operating lease liabilities reflect a weighted-average discount rate of 12.6%.

Operating Leases

The Company leases certain office space under long-term operating leases that expire at various dates through 2028. The Company generally has options to renew lease terms on its facilities, which may be exercised at the Company's sole discretion. The Company evaluates renewal and termination options at the lease commencement date to determine if it is reasonably certain to exercise the option and has concluded on all operating leases that it is not reasonably certain that any options will be exercised. The weighted-average remaining lease term for the Company's operating leases as of September 30, 2023 was 4.4 years.

ROU assets and lease liabilities related to the Company's operating leases are as follows (in thousands):

	Balance Sheet Classification	September 30, 2023	December 31, 2022
Right-of-use assets	Operating lease right-of-use asset, net	\$ 1,258	\$ 226
Current lease liabilities	Current portion of lease liability	292	180
Non-current lease liabilities	Non-current portion of lease liability	1,011	44

Expenses related to leases is recorded on a straight-line basis over the lease term. The following table summarizes lease costs by component for the three and nine months ended September 30, 2023 and 2022 (in thousands):

Lease Cost Components	Statement of Operations Classification	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Operating lease cost	Operating expenses: General and administrative	\$ 120	\$ 73	\$ 431	\$ 197
Short-term lease cost	Operating expenses: General and administrative	102	106	384	328
Total lease cost		<u>\$ 222</u>	<u>\$ 179</u>	<u>\$ 815</u>	<u>\$ 525</u>

Future minimum commitments under all non-cancelable operating leases are as follows (in thousands):

Year Ended	
2023 (excluding nine months ended September 30, 2023)	\$ 122
2024	399
2025	355
2026	355
2027	355
2028	118
Total lease payments	1,704
Less: Imputed interest	(401)
Present value of lease liabilities	<u>\$ 1,303</u>

Supplemental cash flow information related to the Company's operating leases for the nine months ended September 30, 2023 and 2022 are as follows (in thousands):

	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 304	\$ 193
Right-of-use assets obtained in exchange for new operating lease liabilities	1,356	487

11. Debt

Convertible Promissory Notes

2018 Convertible Promissory Notes—Related Parties

Convertible promissory notes—related parties, net of discounts and deferred issuance costs, consisted of the following (in thousands):

	September 30, 2023	December 31, 2022
Convertible notes issued in October 2020	\$ 410	\$ 415
Total	\$ 410	\$ 415

In November 2018, the Company executed a terms and conditions agreement (the “Convertible Note Agreement”) under which it was authorized to issue up to €1.0 million or \$1.2 million in convertible promissory notes to investors. An investor would become a party to the Convertible Note Agreement and would be issued a convertible promissory note by executing and delivering a subscription form. In November 2018 and October 2020, certain investors subscribed to the Convertible Note Agreement and the Company issued convertible promissory notes in the aggregate principal amount of €0.2 million or \$0.2 million and €0.8 million or \$1.0 million, respectively (collectively, the “2018 Convertible Notes”).

The 2018 Convertible Notes are non-interest-bearing, unsecured and are due and payable on September 30, 2025, unless previously redeemed, converted, purchased or cancelled. Each 2018 Convertible Note has a notional value of €1 and is convertible into one share of ATAI Life Sciences AG upon the payment of €17.00. Conversion rights may be exercised by a noteholder at any time prior to maturity, except during certain periods subsequent to the consummation of the IPO. The 2018 Convertible Notes may be declared for early redemption by the noteholders upon occurrence of specified events of default, including payment default, insolvency and a material adverse change in the Company’s business, operations or financial or other condition. Upon early redemption, the conversion right with respect to the 2018 Convertible Notes may no longer be exercised. More information on these notes can be found in Note 10 of the Company’s audited consolidated financial statements included in the Company’s Annual Report on Form 10-K filed with the SEC on March 24, 2023.

In connection with the Convertible Note Agreement, the Company issued convertible notes in aggregate principal amounts of €0.5 million or \$0.6 million to Apeiron, the family office of the Company’s co-founder, and €0.3 million or \$0.4 million to one other shareholder of the Company who is the founder of COMPASS in October 2020.

Conversion of 2018 Convertible Promissory Notes - Related Parties

Upon the Company’s 2021 corporate reorganization, atai became the sole shareholder of ATAI Life Sciences AG. In connection with the corporate reorganization, all former shareholders of ATAI Life Sciences AG contributed their shares of ATAI Life Sciences AG to atai and received sixteen shares in atai for every one share of ATAI Life Sciences AG. In 2021 and 2022, several noteholders elected to convert their convertible promissory notes into shares of atai. These investors paid €17.00 per share for an aggregate amount of €5.8 million or \$6.9 million and €4.6 million or \$4.6 million, respectively in order to convert their convertible promissory notes into ATAI Life Sciences AG common shares, which was in accordance with the original terms of the 2018 Convertible Note Agreements, and then exchange such shares in ATAI Life Sciences AG for shares of atai through a transfer and sale arrangement.

The Company accounted for the conversion of the 2018 Convertible Notes as a conversion such that carrying values of these notes were derecognized with an offset to common stock at par of ATAI Life Sciences AG and the excess of the carrying values of these notes over the common stock at par of ATAI Life Sciences AG was recorded as additional paid-in capital. Concurrently, with the conversion of the 2018 Convertible Notes into ATAI Life Sciences AG shares, the shares of ATAI Life Sciences AG that were issued to the noteholders were exchanged for shares of atai through a transfer and sale arrangement. As ATAI Life Sciences AG continued to remain a wholly owned subsidiary of atai, the transaction was accounted for as an equity transaction that resulted in no gain or loss recognition.

Term Loan

Hercules Loan and Security Agreement

In August 2022, the Company and certain subsidiaries, as guarantors, and Hercules Capital, Inc. entered into a Loan and Security Agreement the “Hercules Loan Agreement”. The Hercules Loan Agreement provides for term loans in an aggregate principal amount of up to \$175.0 million under multiple tranches (the “2022 Term Loan Facility”).

On May 26, 2023, ATAI Life Sciences N.V. (the “Company”), ATAI Life Sciences AG (“ATAI AG” and together with the Company, the “Borrowers”) and certain subsidiary guarantors of the Company (collectively, the “Subsidiary Guarantors”) entered into the Second Amendment to Loan and Security Agreement (the “Amendment”), with the several banks and other financial institutions or entities from time to time parties to the Hercules Loan Agreement (collectively, the “Lenders”) and Hercules Capital, Inc., a Maryland corporation, in its capacity as administrative agent and collateral agent for itself and for the Lenders (the “Agent”) which amends that certain Loan and

Security Agreement, dated August 9, 2022 (as amended by that certain First Amendment to Loan and Security Agreement dated as of March 13, 2023, the “Existing Loan Agreement,” and as amended by the Amendment, the “Agreement”) to, among other things, (i) extend the availability of Tranche 1B of \$10.0 million, from May 1, 2023, under the Existing Loan Agreement, to November 15, 2024, (ii) extend the availability of Tranche 1C of \$15.0 million, from December 15, 2023, under the Existing Loan Agreement, to December 15, 2024, (iii) provide Tranche 1D of \$20.0 million, available upon the earlier of (x) the full draw of Tranche 1C and (y) the expiration of Tranche 1C availability, through February 15, 2025, (iv) extend the availability of Tranche 2 of \$15.0 million, from June 30, 2024, under the Existing Loan Agreement, subject to certain conditions under the Agreement, to the earlier of (x) the full draw of Tranche 1D and (y) the expiration of Tranche 1D availability, through March 15, 2025, subject to the Tranche 2 Draw Test, (v) extend the timeline to achieve the second amortization extension condition, from June 30, 2024, in the Existing Loan Agreement, to December 15, 2024, (vi) amend the Tranche 2 Draw Test, satisfaction of which is a condition to draw Tranche 2 under the Agreement and (vii) extend the financial covenant commencement date, from the later of (x) July 1, 2023, and (y) the date that the outstanding debt under the facility is equal to or greater than \$40.0 million, in the Existing Loan Agreement, to the later of (x) May 1, 2024, and (y) the date that the outstanding debt under the facility is equal to or greater than \$30.0 million, provided, that the financial covenant is waived if the Company has a market capitalization of at least \$550.0 million.

The 2022 Term Loan Facility will mature on August 1, 2026 (the “Maturity Date”), which may be extended until February 1, 2027 if the Company achieves certain performance milestones, raises at least \$175.0 million of unrestricted new net cash proceeds from certain permitted sources after the Closing Date and prior to June 30, 2024, and satisfies certain other specified conditions. The outstanding principal balance of the 2022 Term Loan Facility bears interest at a floating interest rate per annum equal to the greater of either (i) the prime rate as reported in the Wall Street Journal plus 4.55% and (ii) 8.55%. Accrued interest is payable monthly following the funding of each term loan advance. The Company may make payments of interest only, without any loan amortization payments, for a period of thirty (30) months following the Closing Date, which period may be extended to (i) thirty-six months if certain additional performance milestones have been achieved; and (ii) forty-two months if certain additional performance milestones have been achieved. At the end of the interest only period, the Company is required to begin repayment of the outstanding principal of the 2022 Term Loan Facility in equal monthly installments.

The Hercules Loan Agreement contains customary closing and commitment fees, prepayment fees and provisions, events of default and representations, warranties and affirmative and negative covenants, including a financial covenant requiring the Company to maintain certain levels of cash in accounts subject to a control agreement in favor of the Agent (the “Qualified Cash”) at all times commencing from the Closing Date, which includes a cap on the amount of cash that can be held by, among others, certain of our foreign subsidiaries in Australia and the United Kingdom. In addition, the financial covenant under the Loan Agreement requires that beginning on the later of (i) July 1, 2023 and (ii) the date on which the aggregate outstanding amount borrowed under the 2022 Term Loan Facility is equal to or greater than \$40.0 million, the Company shall maintain Qualified Cash in an amount no less than the sum of (1) 33% of the outstanding amount under the 2022 Term Loan Facility, and (2) the amount of the Borrowers’ and Subsidiary Guarantors’ accounts payable that have not been paid within 180 days from the invoice date of the relevant account payable, subject to certain exceptions; provided, that the financial covenant shall not apply on any day that the Company’s market capitalization is at least \$550.0 million measured on a consecutive 10-business day period immediately prior to such date of measurement and tested on a daily basis. Upon the occurrence of an event of default, including a material adverse effect, subject to certain exceptions, on ATAI NV and ATAI AG’s, taken together, business, operations, properties, assets or financial condition, and subject to any specified cure periods, all amounts owed by the Company may be declared immediately due and payable by the Lenders. As of September 30, 2023, the Company was in compliance with all applicable covenants under the Hercules Loan Agreement.

In addition, the Company is required to make a final payment fee (the “End of Term Charge”) upon the earlier of (i) the Maturity Date, (ii) the date that the Company prepays, in full or in part, the principal balance of the 2022 Term Loan Facility, or (iii) the date that the outstanding balance of the 2022 Term Loan Facility becomes due and payable. The End of Term Charge is 6.95% of the aggregate original principal amount of the term loans so repaid or prepaid under the Loan Agreement.

The Company may, at its option, prepay the term loans in full or in part, subject to a prepayment penalty equal to (i) 2.00% of the principal amount prepaid if the prepayment occurs on or prior to the first anniversary of the Closing Date, (ii) 1.0% of the principal amount prepaid if the prepayment occurs after the first anniversary and on or prior to the second anniversary of the Closing Date, and (iii) 0.5% of the principal amount prepaid if the prepayment occurs after the second anniversary and prior to the Maturity Date.

The Company incurred financing expenses related to the Hercules Loan Agreement, which are recorded as an offset to long-term debt on the Company’s condensed consolidated balance sheets. These deferred financing costs are being amortized over the term of the debt using the effective interest method, and are included in other income (expense), net in the Company’s condensed consolidated statements of operations.

During the three and nine months ended September 30, 2023, interest expense included \$0.1 million and \$0.3 million of amortized deferred financing costs related to the 2022 Term Loan Facility. As the Hercules Loan Agreement was executed in August 2022, during the three

and nine months ended September 30, 2022 the Company did not incur any interest expense or amortized deferred financing costs related to the 2022 Term Loan Facility.

Outstanding debt obligations are as follows (in thousands):

	September 30, 2023	December 31, 2022
Principal amount	\$ 15,000	\$ 15,000
End of the term charge	1,042	1,042
Less: unamortized issuance discount	(222)	(274)
Less: unamortized issuance costs	(92)	(113)
Less: unamortized end of term charge	(772)	(952)
Net carrying amount	14,956	14,702
Less: current maturities	—	—
Long-term debt, net of current maturities and unamortized debt discount and issuance costs	<u>\$ 14,956</u>	<u>\$ 14,702</u>

The fair value of the outstanding debt obligations under the 2022 Term Loan Facility was \$16.1 million as of September 30, 2023, and \$14.9 million as of December 31, 2022, respectively. The fair value of the debt obligations under the 2022 Term Loan Facility represent Level 3 measurements within the fair value hierarchy.

12. Common Stock

All common shareholders have identical rights. Each common share entitles the holder to one vote on all matters submitted to the shareholders for a vote. All holders of common shares are entitled to receive dividends, as may be declared by the Company's board of supervisory directors. Upon liquidation, common shareholders will receive distribution on a pro rata basis. As of September 30, 2023 and December 31, 2022, no cash dividends have been declared or paid.

13. Stock-Based Compensation

atai Equity Incentive Plans

The Company has options and restricted stock units ("RSUs") outstanding under various equity incentive plans, including the 2020 Incentive Plan, 2021 Incentive Plan, and HSOP Plan, which are further described in Note 12 of the Company's audited consolidated financial statements included in the Company's Annual Report on Form 10-K filed with the SEC on March 24, 2023.

As of September 30, 2023, there were no shares available for future grants under the 2020 Incentive Plan and any shares subject to outstanding options originally granted under the 2020 Equity Incentive Plan that terminate, expire or lapse for any reason without the delivery of shares to the holder thereof shall become available for issuance pursuant to the atai Life Sciences 2021 Incentive Award Plan.

Shares that are expired, terminated, surrendered, or canceled without having been fully exercised will be available for future awards. As of September 30, 2023, 32,421,132 shares were available for future grants under the 2021 Incentive Plan.

As of September 30, 2023, 257,419 HSOP Options were available for future grants under the HSOP Plan.

Stock Option activity under 2020 Incentive Plan and 2021 Incentive Plan

The stock options outstanding noted below consist primarily of both service and performance-based options to purchase common stock. These stock options have a five-year or ten-year contractual term. These awards are subject to the risk of forfeiture until vested by virtue of continued employment or service to the Company.

The following is a summary of stock option activity from December 31, 2022 to September 30, 2023:

	Number of Options	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2022	34,880,604	\$ 5.98	5.71	\$ 10,647
Granted	9,999,628 ⁽¹⁾	1.30	—	—
Exercised	(74,562)	2.44	—	—
Cancelled or forfeited	(4,404,580)	6.81	—	—
Outstanding as of September 30, 2023	40,401,090 ⁽²⁾	\$ 4.71	5.88	\$ 4,801
Options exercisable as of September 30, 2023	21,650,604	\$ 5.32	3.88	\$ 3,901

(1) Includes (a) 9,409,928 stock options that will vest over a four-year service period (b) 452,700 stock options that will vest over a one-year service period and (c) 137,000 stock options that will vest over a two-year service period.

(2) The 18,750,486 outstanding unvested stock options includes (a) 16,969,592 stock options that will continue to vest over a one to four-year service period, (b) 1,159,894 that will continue to vest over a three to four-year service period and upon the satisfaction of specified performance-based vesting conditions, (c) 137,000 stock options that will continue to vest over a two-year service period (d) 100,000 stock options that will continue to vest over a two-year service period and upon the satisfaction of specified market-based conditions tied to the price of the Company's publicly traded shares and (e) 384,000 stock options that will continue to vest over a one-year service period.

The weighted-average grant-date fair value of options granted during the nine months ended September 30, 2023 was \$0.97.

The Company estimates the fair value of each stock option using the Black-Scholes option-pricing model on the date of grant. During the nine months ended September 30, 2023, the assumptions used in the Black-Scholes option pricing model were as follows:

	September 30,	
	2023	2022
Weighted average expected term in years	6.15	6.06
Weighted average expected stock price volatility	87.5%	71.5%
Risk-free interest rate	3.50% - 4.09%	1.46% - 3.38%
Expected dividend yield	0%	0%

For the three months ended September 30, 2023 and 2022, the Company recorded stock-based compensation expense of \$6.9 million and \$9.3 million, respectively. For the nine months ended September 30, 2023 and 2022, the Company recorded stock-based compensation expense of \$21.6 million and \$26.0 million, respectively.

As of September 30, 2023, total unrecognized compensation cost related to the unvested stock options was \$43.9 million, which is expected to be recognized over a weighted average period of 2.1 years.

Stock Option activity under HSOP Plan

The HSOP Options outstanding noted below consist of service and performance-based options to request the distribution of HSOP Shares. These HSOP Options have a fifteen-year contractual term. These HSOP Options vest over a three to four-year service period. These awards are subject to the risk of forfeiture until vested by virtue of continued employment or service to the Company.

The following is a summary of stock option activity from December 31, 2022 to September 30, 2023:

	Number of Options	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2022	6,921,829	6.64	13.01	\$ —
Granted	—	—	—	—
Exercised	—	—	—	—
Cancelled or forfeited	—	—	—	—
Outstanding as of September 30, 2023	6,921,829	\$ 6.64	12.26	\$ —
Options exercisable as of September 30, 2023	6,625,439	\$ 6.64	12.26	\$ —

For the three months ended September 30, 2023 and 2022, the Company recorded stock-based compensation expense of \$0.7 million and \$1.1 million, respectively. For the nine months ended September 30, 2023 and 2022, the Company recorded stock-based compensation expense of \$2.5 million and \$3.7 million, respectively.

As of September 30, 2023, total unrecognized compensation cost related to the unvested stock-based awards was \$0.6 million which is expected to be recognized over a weighted average period of 0.1 years.

Restricted Stock Unit activity under the 2021 Incentive Plan

The restricted stock units noted below consist of service-based awards vesting over a two-year period, subject to the risk of forfeiture until vested by virtue of continued employment or service to the Company. The Company reflects restricted stock units as issued and outstanding common stock when vested and the shares have been delivered to the individual.

The following is a summary of restricted stock unit activity from December 31, 2022 to September 30, 2023:

	Restricted Stock Units	Weighted Average Grant Date Fair Value
Unvested at January 1, 2023	—	\$ —
Granted	3,251,815	1.18
Vested	—	—
Forfeited	106,880	1.18
Unvested at September 30, 2023	3,144,935	\$ 1.18

For the three months ended September 30, 2023 and 2022, the Company recorded stock-based compensation expense of \$0.5 million and \$0, respectively. For the nine months ended September 30, 2023 and 2022, the Company recorded stock-based compensation expense of \$1.0 million and \$0, respectively.

The total fair value of restricted stock units vested during the nine months ended September 30, 2023 was \$0. As of September 30, 2023, total unrecognized compensation cost related to the unvested stock-based awards was \$2.7 million, which is expected to be recognized over a weighted average period of 1.45 years.

Subsidiary Equity Incentive Plans

Certain controlled subsidiaries of the Company adopted their own equity incentive plans (each, an “EIP”). Each EIP is generally structured so that the applicable subsidiary, and its affiliates’ employees, directors, officers and consultants are eligible to receive non-qualified and incentive stock options and restricted stock unit awards under their respective EIP. Standard option grants have time-based vesting requirements, generally vesting over a period of four years with a contractual term of ten years. Such time-based stock options use the Black-Scholes option pricing model to determine grant date fair value.

For the three months ended September 30, 2023 and 2022, the Company recorded share-based compensation expense of \$0.1 million and \$0.1 million, respectively, in relation to subsidiary EIPs. For the nine months ended September 30, 2023 and 2022, the Company recorded share-based compensation expense of \$0.3 million and \$0.6 million, respectively, in relation to subsidiary EIPs. As of September 30, 2023, there was \$0.2 million of total unrecognized stock-based compensation expense related to unvested EIP awards to employees and non-employee directors expected to be recognized over a weighted-average period of approximately 0.7 years.

Stock-Based Compensation

Stock-based compensation expense is allocated to either research and development or general and administrative expense on the condensed consolidated statements of operations based on the cost center to which the option holder belongs.

The following table summarizes the total stock-based compensation expense by function for the three months ended September 30, 2023, which includes expense related to stock options and restricted stock unit awards (in thousands):

	Three Months Ended September 30, 2023			
	Atai 2020 and 2021 Incentive Plans	Atai 2020 HSOP Partnership	Other Subsidiary Equity Plans	Total
Research and development	\$ 3,285	\$ —	\$ 107	\$ 3,392
General and administrative	4,110	744	7	4,861
Total share based compensation expense	\$ 7,395	\$ 744	\$ 114	\$ 8,253

The following table summarizes the total stock-based compensation expense by function for the three months ended September 30, 2022, which includes expense related to stock options and restricted stock unit awards (in thousands):

	Three Months Ended September 30, 2022			
	Atai 2020 and 2021 Incentive Plans	Atai 2020 HSOP Partnership	Other Subsidiary Equity Plans	Total
Research and development	\$ 3,934	\$ —	\$ 123	\$ 4,057
General and administrative	5,324	1,124	10	6,458
Total share based compensation expense	<u>\$ 9,258</u>	<u>\$ 1,124</u>	<u>\$ 133</u>	<u>\$ 10,515</u>

The following table summarizes the total stock-based compensation expense by function for the nine months ended September 30, 2023, which includes expense related to stock options and restricted stock unit awards (in thousands):

	Nine Months Ended September 30, 2023			
	Atai 2020 and 2021 Incentive Plans	Atai 2020 HSOP Partnership	Other Subsidiary Equity Plans	Total
Research and development	\$ 9,866	\$ —	\$ 320	\$ 10,186
General and administrative	12,947	2,512	33	15,492
Total share based compensation expense	<u>\$ 22,813</u>	<u>\$ 2,512</u>	<u>\$ 352</u>	<u>\$ 25,677</u>

The following table summarizes the total stock-based compensation expense by function for the nine months ended September 30, 2022, which includes expense related to stock options and restricted stock unit awards (in thousands):

	Nine Months Ended September 30, 2022			
	Atai 2020 and 2021 Incentive Plans	Atai 2020 HSOP Partnership	Other Subsidiary Equity Plans	Total
Research and development	\$ 11,221	\$ —	\$ 418	\$ 11,639
General and administrative	14,783	3,651	162	18,596
Total share based compensation expense	<u>\$ 26,004</u>	<u>\$ 3,651</u>	<u>\$ 580</u>	<u>\$ 30,235</u>

14. Income Taxes

The Company records its quarterly income tax expense by utilizing an estimated annual effective tax rate applied to its period to date earnings as adjusted for any discrete items arising during the quarter. The tax effect for discrete items are recorded in the period in which they occur. The Company recorded \$0.2 million and \$0.1 million of income tax expense for the three months ended September 30, 2023 and 2022 respectively. The Company recorded \$0.6 million and \$0.2 million of income tax expense for the nine months ended September 30, 2023 and 2022 respectively. The income tax expense during these periods was primarily driven by current tax on earnings of subsidiaries in Australia, the United States, and the United Kingdom. The primary difference between the effective tax rate and the statutory tax rate relates to the income tax treatment of stock compensation expense, which impacts the current and overall tax expense due to the applicable valuation allowance. The Company continues to maintain a full valuation allowance against its deferred tax assets.

15. Net Income (Loss) Per Share

Basic earnings per share are computed based on the weighted-average of the common shares outstanding for the period. The dilutive effect of options and restricted stock units is calculated using the treasury stock method of accounting. The treasury stock method determines the number of common shares that would be outstanding if all the in the money options were exercised and the proceeds were used to repurchase common shares in the open market at the average market price for the applicable time period. The dilutive effect of the 2018 notes is calculated using the if-converted method of accounting. The outstanding 2018 Convertible Notes are issuable upon the exercise of conversion rights of convertible note holders for 387,614 shares of common stock of ATAI Life Sciences AG. Upon conversion of the 2018 Convertible Notes, it is expected that the shares of common stock of ATAI Life Sciences AG issuable upon conversion of the 2018 Convertible Notes would be exchanged on a one-for-sixteen basis for shares of atai. See Note 11 for additional discussion.

Basic and diluted net loss per share attributable to atai stockholders were calculated as follows (in thousands, except share and per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Basic EPS				
Numerator:				
Net income (loss)	\$ 43,371	\$ (35,701)	\$ (24,753)	\$ (110,768)
Net income (loss) attributable to noncontrolling interests	(873)	(1,814)	(2,821)	(3,394)
Net income (loss) attributable to ATAI Life Sciences N.V. shareholders — basic (numerator)	\$ 44,244	\$ (33,887)	\$ (21,932)	\$ (107,374)
Weighted average common shares outstanding attributable to ATAI Life Sciences N.V. Shareholders (denominator)	155,792,490	156,607,468	155,793,601	154,713,922
Net income (loss) per common share attributable to ATAI Life Sciences N.V. Shareholders - basic	\$ 0.28	\$ (0.22)	\$ (0.14)	\$ (0.69)
Diluted EPS				
Net income (loss)	\$ 43,371	\$ (35,701)	\$ (24,753)	\$ (110,768)
Net income (loss) attributable to noncontrolling interests	(873)	(1,814)	(2,821)	(3,394)
Net income (loss) attributable to ATAI Life Sciences N.V. shareholders — diluted (numerator)	\$ 44,244	\$ (33,887)	\$ (21,932)	\$ (107,374)
Weighted average common shares outstanding attributable to ATAI Life Sciences N.V. Shareholders	155,792,490	156,607,468	155,793,601	154,713,922
Effect of dilutive securities:				
Options to purchase common stock	12,426,724	—	—	—
Unvested restricted stock units	3,144,935	—	—	—
2018 Convertible Promissory Note - Related Parties (note 11)	6,201,824	—	—	—
Weighted average common shares outstanding attributable to ATAI Life Sciences N.V. shareholders (denominator)	177,565,973	156,607,468	155,793,601	154,713,922
Net income (loss) per common share attributable to ATAI Life Sciences N.V. shareholders — diluted	\$ 0.25	\$ (0.22)	\$ (0.14)	\$ (0.69)

Securities that could potentially be dilutive are excluded from the computation of diluted earnings per share when a loss from continuing operations exists or when the exercise price exceeds the average closing price of the Company's common stock during the period, because their inclusion would result in an anti-dilutive effect on per share amounts.

The following securities were excluded from the computation of diluted net income (loss) per share attributable to common shareholders for the periods presented because including them would have been antidilutive:

	As of September 30,	
	2023	2022
Options to purchase common stock	27,974,365	33,534,242
HSOP options to purchase common stock	6,921,829	7,046,496
2018 Convertible Promissory Notes - Related Parties (Note 11)	—	6,201,824
Unvested restricted stock units	—	—
	34,896,194	46,782,562

16. Commitments and Contingencies

Research and Development Agreements

The Company may enter into contracts in the ordinary course of business with clinical research organizations for clinical trials, with contract manufacturing organizations for clinical supplies and with other vendors for preclinical studies, supplies and other services and products for operating purposes.

Indemnification

In the ordinary course of business, the Company may provide indemnifications of varying scope and terms to vendors, lessors, business partners, board members, 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 the Company, negligence or willful misconduct of the Company, violations of law by the Company, or intellectual property infringement claims made by third parties. In addition, the Company has entered into indemnification agreements with directors and certain officers and employees that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers or employees. No demands have been made upon the Company to provide indemnification under such agreements, and thus, there are no claims that the Company is aware of that could have a material effect on the Company's condensed consolidated financial statements.

The Company also maintains director and officer insurance, which may cover certain liabilities arising from its obligation to indemnify the Company's directors. To date, the Company has not incurred any material costs and has not accrued any liabilities in the condensed consolidated financial statements as a result of these provisions.

Contingencies

From time to time, the Company may become involved in legal proceedings arising in the ordinary course of business. The Company is unable to predict the outcome of these matters or the ultimate legal and financial liability, and at this time cannot reasonably estimate the possible loss or range of loss and accordingly has not accrued a related liability. At each reporting date, the Company evaluates whether or not a potential loss amount or a potential range of loss is probable and reasonably estimable under the provisions of the authoritative guidance that addresses accounting for contingencies. The Company accrues a liability when a loss is considered probable and the amount can be reasonably estimated. When a material loss contingency is reasonably possible but not probable, the Company does not record a liability, but instead discloses the nature and the amount of the claim, and an estimate of the loss or range of loss, if such an estimate can be made. Legal fees are expensed as incurred. The Company currently believes that the outcome of any future potential legal proceedings, either individually or in the aggregate, will not have a material effect on its consolidated financial position, results of operations or cash flows.

17. License Agreements

Otsuka License and Collaboration Agreement

In March 2021, Perception entered into a license and collaboration agreement (the "Otsuka Agreement") with Otsuka under which Perception granted exclusive rights to Otsuka to develop and commercialize products containing arketamine, known as PCN-101 in Japan for the treatment of any depression, including treatment-resistant depression, or major depressive disorder or any of their related symptoms or conditions at its own cost and expense. Perception retained all rights to PCN-101 outside of Japan.

With the execution of the Otsuka Agreement, Perception received an upfront, non-refundable payment of \$20.0 million. Perception is also entitled to receive aggregate payments of up to \$35.0 million if certain development and regulatory milestones are achieved for the current or a new intravenous formulation of a product and up to \$66.0 million in commercial milestones upon the achievement of certain commercial sales thresholds. Otsuka is obligated to pay Perception a tiered, double-digit royalty on net sales of products containing PCN-101 in Japan, subject to reduction in certain circumstances. More information for this license can be found in Note 16 of the Company's audited consolidated financial statements included in the Company's Annual Report on Form 10-K filed with the SEC on March 24, 2023.

For the three and nine months ended September 30, 2023 and 2022 there were no milestones achieved under the Otsuka Agreement.

For the three months ended September 30, 2023 and 2022 we recognized \$0.1 million and an immaterial amount of license of revenue related to certain research and development services. For the nine months ended September 30, 2023 and 2022 we recognized \$0.3 million and \$0.2 million of license of revenue related to certain research and development services.

National University Corporation Chiba University License Agreement

In August 2017, Perception entered into a license agreement (the "CHIBA License"), with the National University Corporation Chiba University ("CHIBA"), relating to Perception's drug discovery and development initiatives. Under the CHIBA License, Perception has

been granted a worldwide exclusive license under certain patents and know-how of CHIBA to research, develop, manufacture, use and commercialize therapeutic products.

During the three and nine months ended September 30, 2023 and 2022, respectively, the Company made no material payments pursuant to the CHIBA License.

Allergan License Agreement

In February 2020, Recognify entered into an amended and restated license agreement (the “Allergan License Agreement”), with Allergan Sales, LLC (“Allergan”), under which Allergan granted Recognify an exclusive (non-exclusive as to know-how), sublicensable and worldwide license under certain patent rights and know-how controlled by Allergan to develop, manufacture and commercialize certain products for use in all fields including the treatment of certain diseases and conditions of the central nervous system.

During the three and nine months ended September 30, 2023 and 2022, respectively, Recognify made no material payments pursuant to the Allergan License Agreement.

Columbia Stock Purchase and License Agreement

In June 2020, Kures entered into a license agreement with Trustees of Columbia University (“Columbia”), pursuant to which, Kures obtained an exclusive license under certain patents and technical information to discover, develop, manufacture, use and commercialize such patents or other products in all uses and applications (“Columbia IP”). In addition, in consideration for the rights to the Columbia IP, Kures entered into a Stock Purchase Agreement (the “SPA”) with Columbia in contemplation of the license agreement. Pursuant to the SPA, Kures issued to Columbia certain shares of the Kures’ capital stock, representing 5.0% of Kures common stock on a fully diluted basis. Furthermore, the SPA provided that from time to time, Kures shall issue to Columbia additional shares of Kures’ common stock, at a per share price equal to the then fair market value of each such share, which price shall be deemed to have been paid in partial consideration for the execution, delivery and performance by Columbia of the License Agreement, such that the common stock held by Columbia shall equal to 5.0% of the common stock on a fully diluted basis, at all times up to and through the achievement of certain funding threshold.

During the three and nine months ended September 30, 2023, Kures made no material payments or share issuances in connection with the Columbia agreement.

During the nine months ended September 30, 2022, Kures issued shares of Series A-2 Preferred Stock to certain investors upon the achievement of Series A-2 milestone events. Accordingly, the Company issued certain anti-dilution common stock to Columbia worth \$0.3 million. The Company expensed the cost incurred for acquiring license as research & development expense at inception.

Since, the additional anti-dilution shares were issued as partial consideration towards the same license arrangement, the cost of such additional shares was also expensed as research & development expense during the three and nine months ended September 30, 2022. During the three and nine months ended September 30, 2022, the Company recognized \$0.4 million and \$0.4 million, respectively, of in-process research & development expense in connection with the SPA and the License Agreement.

Accelerate License Agreement

In April 2021, Psyber entered into a license arrangement with Accelerate Technologies Pte. Ltd. (“Accelerate”), whereby Accelerate grants Psyber non-exclusive rights to license and use the technology to commercialize of Psyber’s BCI-enabled companion digital therapeutics in United States of America, Singapore, Member Countries of the European Union, Canada, Australia and New Zealand as a potential treatment for mental health and behavior change, such as substance use disorders including opioid use disorder, mood and anxiety disorders including post-traumatic stress disorder, and treatment-resistant depression.

During the three and nine months ended September 30, 2023 and 2022, respectively, Psyber made no material payments pursuant to the Accelerate License agreement.

Dalriada License Agreement

In December 2021, Invyxis, Inc. (“Invyxis”), a wholly owned subsidiary of the Company, entered into an exclusive services and license agreement (the “Invyxis ESLA”) with Dalriada Drug Discovery Inc. (“Dalriada”). Under the Invvixis ESLA, Dalriada is to exclusively collaborate with Invvixis to develop products, services and processes with the specific purpose of generating products consisting of new chemical entities. Invvixis will pay Dalriada up to \$12.8 million in service fees for research and support services. In addition, Invvixis will pay Dalriada success milestone payments and low single digit royalty payments based on net product sales. Invvixis has the right, but not the obligation, to settle future royalty payments based on net product sales with the Company's common stock. Invvixis and Dalriada will determine the equity settlement based on a price per share determined by both parties.

In January 2022, in accordance with the Invyxis ESLA, Invyxis paid an upfront deposit of \$1.1 million, which was capitalized as prepaid research and development expense. In December 2022, the Company executed an amendment to the Invyxis ESLA, which reduced the upfront deposit from \$1.1 million to \$0.5 million. As such, the remaining \$0.6 million was applied against research and development expense incurred. The Company will expense the remaining deposit as the services are performed as a component of research and development expense in the consolidated statements of operations.

During the three months ended September 30, 2023 and 2022, the Company recorded \$0.4 million and \$1.0 million, respectively, as research and development expense in the condensed consolidated statement of operations. During the nine months ended September 30, 2023 and 2022, the Company recorded \$1.5 million and \$2.8 million, respectively as research and development expense in the condensed consolidated statement of operations.

During the three and nine months ended September 30, 2023 and 2022, respectively, Invyxis made no other service fee payments to Dalriada.

18. Related Party Transactions

atai Formation

In connection with the formation of atai in 2018, the Company entered into a series of transactions with its shareholders, Apeiron, Galaxy Group Investments LLC. (“Galaxy”) and HCS Beteiligungsgesellschaft mbH (“HCS”) whereby these shareholders contributed their investments in COMPASS, Innoplexus and Juvenescence to the Company in exchange for the Company's common stock of equivalent value. Apeiron is the family office of the Company's co-founder who owns 20.4% and 19.7% of the outstanding common stock in the Company as of September 30, 2023 and December 31, 2022, respectively. Galaxy is a NYC-based multi-strategy investment firm that owns 6.5% and 6.5% of the outstanding common stock in the Company as of September 30, 2023 and December 31, 2022, respectively.

Directed Share Program

In connection with ATAI's initial public offering, the underwriters reserved 27% of the common shares for sale at the initial offering price to the Company's managing directors, supervisory directors and certain other parties. Apeiron participated in the program and purchased \$10.5 million common shares.

Consulting Agreement with Mr. Angermayer

In January 2021, the Company entered into a consulting agreement, (the “Consulting Agreement”), with Mr. Angermayer, one of the Company's co-founders and supervisory director. Apeiron is the family office and merchant banking business of Mr. Angermayer. Pursuant to the Consulting Agreement, Mr. Angermayer agreed to render services to the Company on business and financing strategies in exchange for 624,000 shares under the 2020 Incentive Plan upon achievement of certain performance targets. The Consulting Agreement expires on March 31, 2024.

As a result of the Consulting Agreement, for the three months ended September 30, 2023 and 2022, the Company recorded \$0.2 million and \$0.2 million, respectively, of stock-based compensation included in general and administrative expense in its condensed consolidated statements of operations. Additionally, as a result of the Consulting Agreement, for the nine months ended September 30, 2023 and 2022, the Company recorded \$0.6 million and \$0.6 million, respectively, of stock-based compensation included in general and administrative expense in its condensed consolidated statements of operations.

For the three months ended September 30, 2023 and 2022, the Company recorded \$0.1 million and \$0.2 million, respectively, of stock-based compensation included in general and administrative expense in its condensed consolidated statements of operations related to Mr. Angermayer's service as Chairman of the supervisory board. For the nine months ended September 30, 2023 and 2022, the Company recorded \$0.4 million and \$0.5 million, respectively, of stock-based compensation included in general and administrative expense in its condensed consolidated statements of operations related to Mr. Angermayer's service as Chairman of the supervisory board.

19. Defined Contribution Plan

The Company has a defined contribution retirement savings plan under Section 401(k) of the Internal Revenue Code. This plan allows eligible employees to defer a portion of their annual compensation. Employees may make contributions by having the Company withhold a percentage of their salary up to the Internal Revenue Service annual limit. The Company recognized \$0.1 million and \$0.1 million of related compensation expense for the three months ended September 30, 2023 and 2022. The Company recognized \$0.4 million and \$0.4 million of related compensation expense for the nine months ended September 30, 2023 and 2022.

20. Corporate Restructuring

In February 2023, the Company restructured its workforce and eliminated approximately 30% of its global workforce in order to more effectively allocate its research and development and other resources supporting the revised business and program priorities and to reduce operational costs.

Restructuring expense related to the workforce reduction was incurred primarily during the nine months ended September 30, 2023, resulting in \$3.2 million of restructuring expense, which consisted of \$3.0 million of cash expenditures for severance and other employee separation-related costs and \$0.2 million of stock-based compensation expense. Of the restructuring expense, for the three and nine months ended September 30, 2023, \$1.8 million and \$1.4 million were recorded in research and development expenses and general and administrative expenses, respectively, in the condensed consolidated statement of operations.

As of September 30, 2023, all restructuring liabilities had been paid in full and we had \$0 of restructuring liabilities included in accrued expenses on the Company's condensed consolidated balance sheets.

A reconciliation of the restructuring charges and related payments for the nine months ended September 30, 2023 is as follows:

	Nine Months Ended September 30, 2023
Restructuring liability as of December 31, 2022	\$ —
Restructuring costs expensed during the period	3,206
Non-cash impact of stock-based compensation	(195)
Cash payments of restructuring liabilities, net	(3,011)
Restructuring liability as of September 30, 2023	\$ —

21. Subsequent Events

DemeRx IB, Inc. Stock Purchase Agreement

In October 2023, atai and DemeRx, Inc. executed a Stock Purchase and Framework Agreement (the "Stock Purchase Agreement") pursuant to which the Company acquired 100% of the issued and outstanding share capital of DemeRx IB, Inc.

Among other things, upon closing, the Company paid an initial cash consideration of \$8.0 million to DemeRx, Inc. with the potential for DemeRx, Inc. to earn additional consideration in the future upon the achievement of certain development milestones.

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

You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited condensed consolidated financial statements and related notes thereto included in this Quarterly Report and our audited consolidated financial statements and related notes thereto for the year ended December 31, 2022, included in our Form 10-K filed with the SEC on March 24, 2023. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in the section titled "Risk Factors" in our Annual Report on Form 10-K dated and filed with the SEC on March 24, 2023, and may be updated from time to time in our other filings with the SEC.

All references to years, unless otherwise noted, refer to our fiscal years, which end on December 31. Unless the context otherwise requires, all references in this subsection to “we,” “us,” “our,” “atai” or the “Company” refer to atai and its consolidated subsidiaries.

Business Overview

We are a clinical-stage biopharmaceutical company aiming to transform the treatment of mental health disorders. We were founded in 2018 in response to the significant unmet need and lack of innovation in the mental health treatment landscape, as well as the emergence of therapies that previously may have been overlooked or underused.

We have a bold and ambitious vision: to heal mental health disorders so that everyone, everywhere can live a more fulfilled life.

Mental health disorders such as depression, substance use disorder, or SUD, and anxiety, which are among our initial focus indications, are highly prevalent and estimated to affect more than one billion people globally. In addition, the total costs of mental health disorders are significant and expected to increase substantially. Between 2009 and 2019, spending on mental health care in the United States increased by more than 50%, reaching \$225 billion, and a Lancet Commission report estimates the global economic cost will reach \$16 trillion by 2030. While current treatments, such as selective serotonin reuptake inhibitors, or SSRIs, and serotonin-norepinephrine reuptake inhibitors, or SNRIs, are well established and effective for certain patients, a significant percentage of patients either respond inadequately or relapse, translating to a significant unmet patient need.

Since our inception in 2018, we have focused substantially all of our efforts and financial resources on acquiring and developing product and technology rights, establishing our platform, building our intellectual property portfolio and conducting research and development activities for our product candidates within our atai companies that we consolidate based on our controlling financial interest of such entities. We operate a decentralized model to enable scalable drug or technological development at our atai companies. Our atai companies drive the development of our programs and enabling technologies for which we have either acquired a controlling or significant interest in or created de novo. We believe that this model provides our development teams the support and incentives to rapidly advance their therapeutic candidates or technologies in a cost-efficient manner. We look to optimize deployment of our capital in order to maximize value for our stakeholders.

We provide our development teams with access to shared services including scientific, intellectual property, clinical, and regulatory support, as well as project management, research and development, market strategy, and development and corporate finance. Our global team of subject matter professionals provides deep domain expertise in areas such as mental health drug development and life sciences intellectual property. Development teams have access to relevant expertise specific to each stage of their development. We believe our knowledge and specialization in psychedelics and mental health continuously enhance the quality of the services we provide through the sharing of learnings and experiences across the teams.

We have incurred significant operating losses since our inception. However, during the three months ended September 30, 2023 we generated \$44.2 million of net income attributable to ATAI Life Sciences N.V. stockholders, primarily due to the non-cash change in fair value of other investments held at fair value of \$69.0 million during the period. Our net loss attributable to ATAI Life Sciences N.V. stockholders was \$33.9 million for the three months ended September 30, 2022.

Our net loss attributable to ATAI Life Sciences N.V. stockholders was \$21.9 million and \$107.4 million for the nine months ended September 30, 2023 and 2022, respectively. As of September 30, 2023 and December 31, 2022, our accumulated deficit was \$532.6 million and \$510.2 million, respectively. Our ability to generate product revenue sufficient to achieve profitability will depend substantially on the successful development and eventual commercialization of product candidates at our atai companies that we consolidate based on our controlling financial interest of such entities as determined under the variable interest entity model ("VIE model") or voting interest entity model ("VOE model"). We expect to continue to incur significant expenses and increasing operating losses for at least the next several years.

Our historical losses resulted principally from costs incurred in connection with research and development activities, as well as general and administrative costs associated with our operations. In the future, we intend to continue to conduct research and development, preclinical

testing, clinical trials, regulatory compliance, market access, commercialization and business development activities that, together with anticipated general and administrative expenses, will result in incurring further significant losses for at least the next several years. Our operating losses stem primarily from the development of our mental health research programs. Furthermore, we expect to incur additional costs associated with operating as a public company, including audit, legal, regulatory, and tax-related services associated with maintaining compliance with exchange listing and SEC requirements, director and officer insurance premiums, and investor relations costs. As a result, we will need substantial additional funding to support our continuing operations and pursue our growth strategy. Until such time as we can generate significant revenue from sales of our product candidates, if ever, we expect to finance our operations through a combination of equity offerings, debt financings, strategic collaborations and alliances or licensing arrangements. Our inability to raise capital as and when needed could have a negative impact on our financial condition and our ability to pursue our business strategies. There can be no assurances, however, that our current operating plan will be achieved or that additional funding will be available on terms acceptable to us, or at all.

As of September 30, 2023, we had cash and cash equivalents of \$76.5 million and short-term securities of \$132.5 million. We believe that our existing cash and cash equivalents and short-term securities will be sufficient for us to fund our operating expenses and capital expenditure requirements for at least the next 12 months following the filing of this Quarterly Report. We have based this estimate on assumptions that may prove to be wrong, and we could exhaust our available capital resources sooner than we expect. See “Liquidity and Capital Resources—Liquidity Risk” below.

We do not have any products approved for sale and have not generated any revenue from product sales. We have funded our operations to date primarily with proceeds from the sale of our common shares, issuances of convertible notes and a term loan.

Our Model and Strategy

We have a team of experienced drug discoverers, developers and innovators working towards our goal to heal mental health disorders. We operate a decentralized model to enable scalable drug or technological development at our atai companies. Our atai companies drive development of programs that we have either acquired a controlling or significant interest in or created de novo. We believe that this model provides our development teams the support and incentives to rapidly advance their programs in a cost-efficient manner. To grow our business, we intend to acquire development programs and companies that may further our goal of advancing transformative treatments for patients that suffer from mental health disorders.

This model enables a modular approach to capturing value as we advance therapies through commercialization. While our primary goal is to pursue commercialization of products independently, we also intend to continue opportunistically establishing collaborations and/or divest atai companies entirely based on several factors, including, without limitation, the strategic rationale and financial return potential. The model is designed to maximize the value of each drug that we successfully develop and generate returns for shareholders through these value-capturing strategies.

Impactful Capital Allocation and Strategic Value Capture

Consistent with our strategy, we provide the necessary funding and operational support to our programs to maximize their probability of success in clinical development and commercialization. We also regularly review the status of our programs to assess whether there are alternative forms of ownership, partnership or other forms of collaboration that would optimize our economic interests and the success of our programs. To that end, we are focusing on clinical phase programs and business development that we expect to generate meaningful data in the near term, and therefore prioritizing programs and opportunities that we believe have the highest return potential and value.

In addition, in February 2023 we conducted a reduction in force of approximately 30% of our global workforce in order to more effectively allocate our research and development and other resources supporting the revised business and program priorities and to reduce operational costs. Refer to Note 20 in the Notes to Condensed Consolidated Financial Statements in Part I, Item 1 for further information.

Our Core Clinical Programs

Our pipeline currently consists of therapeutic candidates across multiple neuropsychiatric indications. The table below summarizes the status of our core product candidate portfolio as of the date of this Quarterly Report.

Our strategy will be delivered through a **robust pipeline** of drug development programs across **several mental health indications** with **large unmet need**

Program	Primary Indication	Preclinical	Phase 1	Phase 2	Phase 3
CORE CLINICAL PROGRAMS					
RL-007 / Pro-cognitive neuromodulator ¹	Cognitive Impairment Associated With Schizophrenia				
GRX-917 / Deuterated etifoxine	Generalized Anxiety Disorder				
DMX-1002 / Ibogaine	Opioid Use Disorder				
VLS-01 / DMT	Treatment-Resistant Depression				
EMP-01 / MDMA derivative	Post-Traumatic Stress Disorder				
LIMITED TO EQUITY INTEREST					
COMP360 / Psilocybin (Compass Pathways; \$CMPS)	TRD (PTSD and AN in Phase 2)				

DMT = N,N-dimethyltryptamine; MDMA = 3,4-Methylenedioxymethamphetamine.

1. RL-007 compound is (2R, 3S)-2-amino-3-hydroxy-3-pyridin-4-yl-1-pyrrolidin-1-yl-propan-1-one(L)-(+)-tartrate salts.

Clinical Pipeline Recent Advancements

The following details recent advancements regarding certain of our clinical programs, as applicable:

RL-007: Pro-Cognitive Neuromodulator for Cognitive Impairment Associated with Schizophrenia ("CIAS")

- RL-007 is an orally bioavailable compound that has consistently demonstrated pro-cognitive effects in multiple pre-clinical and clinical studies, including two Phase 1 and two Phase 2 trials.
- The on-going Phase 2b study will evaluate 20mg and 40mg of RL-007 versus placebo in patients with CIAS.
- We anticipate reporting top-line results from the Phase 2b study in the second half of 2024.

VLS-01: N,N-dimethyltryptamine; ("DMT") for Treatment Resistant Depression ("TRD")

- VLS-01 is an oral transmucosal formulation (OTF) of DMT, a partial agonist of the 5-HT-1A/2A/2C receptors, developed to induce a short duration of psychedelic effect of approximately 30 to 45 minutes.
- In October 2023, we announced the completion of a Phase 1 study in healthy participants, in which VLS-01 was found to be well-tolerated with a favorable safety profile.
- Pharmacokinetic and pharmacodynamic data confirmed systemic delivery of VLS-01 via our proprietary oral, transmucosal route at levels comparable to those achieved with 30 mg IV DMT.
- In preparation of initiating a Phase 2 trial in TRD, we plan to further optimize VLS-01 by incorporating taste masking, an intrinsic backing layer, and enhancements to increase permeability.
- We have received regulatory approval to initiate a Phase 1b healthy volunteer study and expect to enroll the first participant in the first half of 2024.

DMX-1002: Ibogaine for Opioid Use Disorder ("OUD")

- DMX-1002 is an oral formulation of ibogaine, an onirogenic indole alkaloid with cholinergic, glutamatergic and monoaminergic receptor modulatory activity.
- In August 2023, we reported data from a Phase 1 study in which 9 mg/kg of DMX-1002 achieved plasma concentrations and psychedelic experiences consistent with previous studies of Ibogaine.
- The treatment-related adverse events (AEs) and side effects, such as QT prolongation, were similar to those observed in prior trials of Ibogaine, and nearly all AEs (>94%) were rated mild-to-moderate in severity. There were no serious adverse events reported.
- We believe these Phase 1 results will enable discussions with regulatory authorities to assess progressing DMX-1002 into a proof-of-concept study in Opioid Use Disorder.

EMP-01: 3,4-methylenedioxy-methamphetamine (MDMA) derivative for Post Traumatic Stress Disorder ("PTSD")

- EMP-01 is an oral formulation of an MDMA derivative, designed to be a better tolerated alternative to racemic MDMA.
- The Phase 1 study is designed to evaluate the safety and tolerability of single-ascending doses of EMP-01 in healthy adult participants.
- We expect to report initial results of the Phase 1 study by the end of 2023.

Financial Overview

Since our inception in 2018, we have focused substantially all of our efforts and financial resources on acquiring and developing product and technology rights, establishing our platform, building our intellectual property portfolio and conducting research and development activities for our product candidates within our atai companies that we consolidate based on our controlling financial interest of such entities. We operate a decentralized model to enable scalable drug or technological development at our atai companies. Our atai companies drive development of our programs and enabling technologies that we have either acquired a controlling or significant interest in or created *de novo*. We believe that this model provides our development teams the support and incentives to rapidly advance their therapeutic candidates or technologies in a cost-efficient manner. We look to optimize deployment of our capital in order to maximize value for our stakeholders.

Wholly owned subsidiaries and VIEs with greater than 50% ownership and deemed control are consolidated in our financial statements, and our net income (loss) is reduced for the non-controlling interest of the VIE's share, resulting in net income (loss) attributable to atai stockholders.

Investments, where we have ownership in the underlying company's equity greater than 20% and less than 50%, or where we have significant influence, are recorded under the cost and equity method. We then record losses from investments in equity method investees, net of tax, for our proportionate share of the underlying company's net results until the investment balance is adjusted to zero. If we make subsequent additional investments in that same company, we may record additional gains(losses) based on changes to our investment basis and also may record additional income(loss) in equity method investments.

We do not have any products approved for sale and have not generated any revenue from product sales. We have funded our operations to date primarily with proceeds from the sale of our common shares and from issuances of convertible notes and term loans.

Factors and Trends Affecting our Results of Operations

We believe that the most significant factors affecting our results of operations include:

Research and Development Expenses

Our ability to successfully develop innovative product candidates through our programs will be the primary factor affecting our future growth. Our approach to the discovery and development of our product candidates is still being demonstrated. As such, we do not know whether we will be able to successfully develop any of our product candidates. Developing novel product candidates requires a significant investment of resources over a prolonged period of time, and a core part of our strategy is to continue making sustained investments in this area. We have chosen to leverage our platform to initially focus on advancing our product candidates in the area of mental health.

All of our product candidates are still in development stages, and we have incurred and will continue to incur significant research and development costs for preclinical studies and clinical trials. We expect that our research and development expenses will constitute the most substantial part of our expenses in future periods in line with the advancement and expansion of the development of our product candidates.

Acquisitions/Investments

To continue to grow our business and to aid in the development of our various product candidates, we are strategically acquiring and investing in companies that share our common goal towards advancing transformative treatments, including psychedelic compounds and digital therapeutics, for patients that suffer from mental health disorders.

Acquisition of In-Process Research and Development Expenses

In an asset acquisition, including the initial consolidation of a VIE that is not a business, acquired in-process research and development, or IPR&D, with no alternative future use is charged to the condensed consolidated statements of operations as a component of operating expenses at the acquisition date.

Stock-Based Compensation

In August 2020, we adopted the 2020 Equity Incentive Plan (the “2020 Incentive Plan”) and the Hurdle Share Option Plan (the “HSOP Plan”), which allowed us to grant stock-based awards to executive officers, directors, employees and consultants. Prior to our IPO, we issued stock options that vest over a two to four-year service period, only if and when a “Liquidity Event” (as defined in the plans) occurs, with accelerated vesting if a Liquidity Event occurred by specified dates. Upon the closing of our IPO, the stock-based award vesting contingent upon a Liquidity Event was no longer deferred.

Effective April 23, 2021, we adopted and our shareholders approved the 2021 Incentive Award Plan (the “2021 Incentive Plan”). The 2021 Incentive Plan enables us to grant incentive stock options or nonqualified stock options, restricted stock awards and other stock-based awards to our executive officers, directors and other employees and consultants. Any shares subject to outstanding options originally granted under the 2020 Incentive Plan that terminate, expire or lapse for any reason without the delivery of shares to the holder thereof shall become available for issuance pursuant to the 2021 Incentive Plan.

Basis of Presentation and Consolidation

Since our inception, we have created wholly owned subsidiaries or made investments in certain controlled entities, including partially-owned subsidiaries for which we have majority voting interest under the VOE model or for which we are the primary beneficiary under the VIE model, which we refer to collectively as our consolidated entities. Ownership interests in consolidated entities that are held by entities other than us are reported as noncontrolling interests in our condensed consolidated balance sheets and condensed consolidated statements of stockholders' equity. The portion of net earnings attributable to the noncontrolling interests is presented as Net loss attributable to noncontrolling interests in our condensed consolidated statements of operations.

Ownership interests in entities over which we have significant influence, but not a controlling financial interest, are accounted for as cost and equity method investments with our portion of net losses recorded in Losses from investments in equity method investees, net of tax in our condensed consolidated statements of operations.

Components of Our Results of Operations

Revenue

In March 2021, Perception Neuroscience, Inc. (“Perception”) entered into a license and collaboration agreement (the “Otsuka Agreement”), with Otsuka Pharmaceutical Co., LTD (“Otsuka”), under which we granted exclusive rights to Otsuka to develop and commercialize certain products containing arketamine, known as PCN-101, in Japan for the treatment of depression and other select indications. Perception received an upfront, non-refundable payment of \$20.0 million in June 2021 and we are also eligible to receive up to \$35.0 million if certain development and regulatory milestones are achieved and up to \$66.0 million in commercial milestones upon the achievement of certain commercial sales thresholds. Perception is eligible to receive tiered, royalties ranging from low-teens to high-teens on net sales of licensed products subject to reduction in certain circumstances.

For the three and nine months ended September 30, 2023 and 2022 there were no milestones achieved under the Otsuka Agreement.

For the three months ended September 30, 2023 and 2022 we recognized \$0.1 million and an immaterial amount of license of revenue related to certain research and development services. For the nine months ended September 30, 2023 and 2022 we recognized \$0.3 million and \$0.2 million of license of revenue related to certain research and development services.

For the foreseeable future, we may generate revenue from reimbursements of services under the Otsuka Agreement, as well as milestone payments under our current and/or future collaboration agreements. We do not expect to generate any revenue from the sale of products unless and until such time that our product candidates have advanced through clinical development and regulatory approval, if ever. We expect that any revenue we generate, if at all, will fluctuate from year-to-year as a result of the timing and amount of payments relating to such services and milestones and the extent to which any of our products are approved and successfully commercialized. Our ability to generate future revenues will also depend on our ability to complete preclinical and clinical development of product candidates or obtain regulatory approval for them.

Operating Expenses

Research and Development Expenses

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

- employee-related expenses, including salaries, related benefits and stock-based compensation, for employees engaged in research and development functions;
- expenses incurred in connection with the preclinical and clinical development of our product candidates, including our agreements with third parties, such as consultants and contract research organizations (“CROs”);
- expenses incurred under agreements with consultants who supplement our internal capabilities;
- the cost of lab supplies and acquiring, developing and manufacturing preclinical study materials and clinical trial materials;
- costs related to compliance with regulatory requirements; and
- payments made in connection with third-party licensing agreements.

Research and development costs, including costs reimbursed under the Otsuka Agreement, are expensed as incurred, with reimbursements of such amounts being recognized as revenue. We account for nonrefundable advance payments for goods and services that will be used in future research and development activities as expenses when the service has been performed or when the goods have been received.

Our direct research and development expenses are tracked on a program-by-program basis for our product candidates and consist primarily of external costs, such as fees paid to outside consultants, CROs, contract manufacturing organizations (“CMOs”) and research laboratories in connection with our preclinical development, process development, manufacturing and clinical development activities. Our direct research and development expenses by program also include fees incurred under third-party license agreements.

We do not allocate internal research and development expenses consisting of employee and contractor-related costs, to specific product candidate programs because these costs are deployed across multiple product candidate programs under research and development and, as such, are separately classified.

Research and development activities are central to our business model. Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials. We expect that our research and development expenses will continue to increase for the foreseeable future in connection with our planned preclinical and clinical development activities in the near term and in the future.

The successful development of our product candidates is highly uncertain. As such, at this time, we cannot reasonably estimate or know the nature, timing and estimated costs of the efforts that will be necessary to complete the remainder of the development of these product candidates. We are also unable to predict when, if ever, material net cash inflows will commence from our product candidates. This is due to the numerous risks and uncertainties associated with developing products, including the uncertainty of whether (i) any clinical trials will be conducted or progress as planned or completed on schedule, if at all, (ii) we obtain regulatory approval for our product candidates and (iii) we successfully commercialize product candidates.

Acquisition of In-Process Research and Development Expenses

Acquisition of IPR&D expenses consist of acquired in-process research and development with no future alternative use based on the probability of clinical success.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and other related costs, including stock-based compensation, for personnel in our executive, finance, corporate and business development and administrative functions, professional fees for legal, patent, accounting, auditing, tax and consulting services, travel expenses and facility-related expenses, advertising, and information technology-related expenses.

Subsequent to our February 2023 reduction in force, we expect that our general and administrative expenses will not materially increase in the near future. We may add more general and administrative head count in the future to support the potential commercialization of our product candidates.

Other Income (Expense), Net

Interest Income

Interest income consists of interest earned on cash balances held in interest-bearing accounts and interest earned on notes receivable. We expect that our interest income will fluctuate based on the timing and ability to raise additional funds as well as the amount of expenditures for our research and development of our product candidates and ongoing business operations.

Interest Expense

Interest expense consists primarily of interest expense incurred in connection with our term loan under the Loan Agreement (as defined below) entered into in August 2022. Upon closing of the Loan Agreement, Hercules Capital, Inc. issued a term loan advance in the amount of \$15.0 million. See “—Liquidity and Capital Resources—Indebtedness” below for further discussion of the 2022 Term Loan Facility.

Change in Fair Value of Contingent Consideration Liability—Related Parties

Changes in fair value of contingent consideration liability—related parties, consists of subsequent remeasurement of our contingent consideration liability—related parties with Perception, TryptageniX and InnarisBio for which we record at fair value. See “—Liquidity and Capital Resources—Indebtedness” below for further discussion of our contingent consideration liability—related parties.

Change in Fair Value of Warrant Liability

Changes in fair value consist of subsequent remeasurement of our warrant liability relating to issued and outstanding warrants to purchase shares of Neuronasal's common stock acquired in connection with the acquisition of Neuronasal in May 2021.

Change in Fair Value of Securities carried at Fair Value

Changes in fair value of securities consists of changes in fair value of available for sale securities. We first purchased securities in January 2022.

Change in Fair Value of Other Investments held at Fair Value

Changes in fair value of other investment held at fair value consists of subsequent remeasurement of our investments held at fair value, including COMPASS Pathways plc and IntelGenx Technologies Corp. See Note 5 in the Notes to unaudited Condensed Consolidated Financial Statements in Part I, Item 1 for further information.

Change in Fair Value of Convertible Notes Receivable - Related Parties

Changes in fair value of convertible notes receivable - related party, including interest, consists of subsequent remeasurement of our convertible notes receivable - related party with IntelGenx for which we have elected the fair value option. See Note 6 in the Notes to unaudited Condensed Consolidated Financial Statements in Part I, Item 1 for further information.

Foreign exchange gain (loss), net

Foreign exchange gain (loss), net consists of the impact of changes in foreign currency exchange rates on our foreign exchange denominated assets and liabilities, relative to the U.S. dollar. The impact of foreign currency exchange rates on our results of operations fluctuates period over period based on our foreign currency exposures resulting from changes in applicable exchange rates associated with our foreign denominated assets and liabilities.

Other Income (Expense)

Other income consists principally of the impact of accounting adoptions and changes in the carrying values of our assets and liabilities.

Provision For Income Taxes

For our consolidated entities, deferred income taxes are provided for the effects of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and the amounts recognized for income tax purposes. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

We regularly assess the need to record a valuation allowance against net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. Accordingly, we maintain a full valuation allowance against net deferred tax assets for all entities as of September 30, 2023. In assessing the realizability on deferred tax assets, we consider whether it is more-likely-than-not that some or all of deferred tax assets will not be realized. The future realization of deferred tax assets is subject to the existence of sufficient taxable income of the appropriate character (e.g., ordinary income or capital gain) as provided under the carryforward provisions of local tax law. We consider the scheduled reversal of deferred tax liabilities (including the effect in available carryback and carryforward periods), future projected taxable income, including the character and jurisdiction of such income, and tax-planning strategies in making this assessment.

Unrecognized tax benefits arise when the estimated benefit recorded in the financial statements differs from the amounts taken or expected to be taken in a tax return because of the considerations described above. As of September 30, 2023 and December 31, 2022, we had no unrecognized tax benefits.

Losses from Investments in Equity Method Investees, Net of Tax

Losses from investments in equity method investees, net of tax consists of our share of equity method investees losses on the basis of our equity ownership percentage, IPR&D charges resulting from basis differences and impairment related to our equity method investments.

Net Loss Attributable to Noncontrolling Interests

Net loss attributable to noncontrolling interests in our condensed consolidated statements of operations is a result of our investments in certain of our consolidated VIEs and consists of the portion of the net loss of these consolidated entities that is not allocated to us. Net losses in consolidated VIEs are attributed to noncontrolling interests considering the liquidation preferences of the different classes of equity held by the shareholders in the VIE and their respective interests in the net assets of the consolidated VIE in the event of liquidation, and their pro rata ownership. Changes in the amount of net loss attributable to noncontrolling interests are directly impacted by changes in the net loss of our VIEs and our ownership percentage changes.

Results of Operations

Comparison of the Three Months Ended September 30, 2023 and 2022 (unaudited)

	Three Months Ended September 30,			
	2023	2022	\$ Change	% Change
	(in thousands, except percentages)			
License revenue	\$ 87	\$ 24	\$ 63	262.5 %
Operating expenses:				
Research and development	13,290	19,028	(5,738)	-30.2 %
Acquisition of in-process research and development	—	—	—	0.0 %
General and administrative	13,631	19,419	(5,788)	-29.8 %
Total operating expenses	26,921	38,447	(11,526)	-30.0 %
Loss from operations	(26,834)	(38,423)	11,589	-30.2 %
Other income (expense), net:				
Interest income	612	145	467	322.1 %
Interest expense	(686)	—	(686)	-100.0 %
Change in fair value of contingent consideration liability - related parties	(58)	430	(488)	-113.5 %
Change in fair value of securities carried at fair value	1,832	344	1,488	432.6 %
Change in fair value of other investments held at fair value	69,014	—	69,014	100.0 %
Change in fair value of convertible notes receivable - related party	22	—	22	100.0 %
Foreign exchange gain (loss), net	253	4,470	(4,217)	-94.3 %
Other income (expense), net	(308)	(100)	(208)	208.0 %
Total other income (expense), net	70,681	5,289	65,392	1236.4 %
Net income (loss) before income taxes	43,847	(33,134)	76,981	-232.3 %
Provision for income taxes	(238)	(135)	(103)	76.3 %
Losses from investments in equity method investees, net of tax	(238)	(2,432)	2,194	-90.2 %
Net income (loss)	43,371	(35,701)	79,072	-221.5 %
Net loss attributable to noncontrolling interests	(873)	(1,814)	941	-51.9 %
Net income (loss) attributable to ATAI Life Sciences N.V. stockholders	\$ 44,244	\$ (33,887)	\$ 78,131	-230.6 %

License Revenue

We recognized \$0.1 million and an immaterial amount of license revenue for the three months ended September 30, 2023 and 2022, respectively, related to certain research and development services performed by the Company pursuant to (the "Otsuka Agreement").

Research and Development Expenses

The table and discussion below present research and development expenses for the three months ended September 30, 2023 and 2022:

	Three Months Ended September 30,			
	2023	2022	\$ Change	% Change
	(in thousands, except percentages)			
Direct research and development expenses by program:				
Our Core Clinical Programs				
VLS-01	\$ 1,179	\$ 522	\$ 657	125.9 %
RL-007	2,418	1,050	1,368	130.3 %
EMP-01	556	1,100	(544)	-49.5 %
DMX-1002	368	670	(302)	-45.1 %
Our Other Clinical Programs				
PCN-101	768	3,696	(2,928)	-79.2 %
KUR-101	(7)	1,057	(1,064)	-100.7 %
RLS-01	42	453	(411)	-90.7 %
Enabling Technologies and Drug Discovery Platforms	1,046	2,620	(1,574)	-60.1 %
Unallocated research and development expenses:				
Personnel expenses	6,457	7,396	(939)	-12.7 %
Professional and consulting services	363	262	101	38.5 %
Other	100	202	(102)	-50.5 %
Total research and development expenses	\$ 13,290	\$ 19,028	\$ (5,738)	-30.2 %

Research and development expenses were \$13.3 million for the three months ended September 30, 2023, compared to \$19.0 million for the three months ended September 30, 2022. The decrease of \$5.7 million was primarily attributable to a \$3.2 million decrease of direct costs in our clinical programs as discussed below, \$1.6 million decrease of costs related to our enabling technologies and drug discovery platform as discussed below, \$0.9 million decrease in personnel expenses (inclusive of \$0.6 million decrease in stock-based compensation) and a \$0.1 million decrease in other services, partially offset by a \$0.1 million increase in professional services costs.

Our Core Clinical Programs:

VLS-01: N,N-dimethyltryptamine; (“DMT”) for Treatment Resistant Depression

The \$0.7 million increase in direct costs for VLS-01 was primarily due to an increase of, \$0.3 million increase in manufacturing costs, \$0.3 million increase in preclinical development costs and \$0.1 million of clinical development costs relating to our completed Phase 1 three-part trial of VLS-01 designed to evaluate the safety, tolerability, PK and PD of VLS-01 delivered by intravenous (IV) infusion and using our proprietary oral transmucosal film (OTF) formulation.

RL-007: Pro-Cognitive Neuromodulator for Cognitive Impairment Associated with Schizophrenia

The \$1.4 million increase in direct costs for the RL-007 program was primarily due to an increase of \$1.4 million of clinical development costs related to the on-going Phase 2b proof-of-concept clinical trial for RL-007 in CIAS.

EMP-01: 3,4-methylenedioxy-methamphetamine (MDMA) derivative for Post Traumatic Stress Disorder

The \$0.5 million decrease in direct costs for EMP-01 was primarily due to a decrease of \$0.8 million preclinical development costs and \$0.2 million decrease of manufacturing costs, partially offset by a \$0.4 million increase in clinical development costs relating to our on-going Phase 1 single ascending dose trial to assess the safety and tolerability of orally administered EMP-01.

DMX-1002: Ibogaine for Opioid Use Disorder

The \$0.3 million decrease in direct costs for the DMX-1002 program was primarily due to a decrease of \$0.2 million of clinical development costs and \$0.1 million of manufacturing costs.

Our Other Clinical Programs

PCN-101 (R-Ketamine) for Treatment Resistant Depression

The \$2.9 million decrease in direct costs for PCN-101 was primarily due to a decrease of \$1.7 million of clinical development costs, \$0.8 million decrease in preclinical development costs, \$0.3 million decrease in manufacturing costs and \$0.1 million decrease in personnel related costs.

KUR-101(deuterated mitragynine) for Opioid Use Disorder

The \$1.1 million decrease in direct costs for KUR-101 was primarily due to a \$1.0 million decrease of clinical development costs and \$0.1 million decrease in manufacturing costs.

RLS-01 for Treatment Resistant Depression

The \$0.4 million decrease in direct costs for RLS-01 was primarily due to a \$0.3 million decrease of preclinical development costs and \$0.1 million decrease of manufacturing costs.

Enabling Technologies and Drug Discovery Platforms

The \$1.6 million decrease in our enabling technologies and drug discovery platforms primarily relates to decreased direct costs of \$0.6 million in our Invyxis program, \$0.6 million in our TryptageniX program, \$0.3 million in our InnarisBio program and \$0.1 million in our PsyProtix, Neuronasal, Introspect, and Psyber programs.

General and Administrative Expenses

General and administrative expenses were \$13.6 million for the three months ended September 30, 2023 compared to \$19.4 million for the three months ended September 30, 2022. The decrease of \$5.8 million was largely attributable to a decrease of \$2.8 million in personnel and travel related costs (inclusive of \$1.6 million decrease in stock-based compensation), \$1.2 million decrease in investor relations and public company compliance fees, \$1.2 million decrease in VAT and non-income tax, \$0.4 million decrease in legal and professional service expenses and \$0.2 million decrease in insurance costs.

Interest Income

Interest income for the three months ended September 30, 2023 and 2022 primarily consisted of interest earned on our cash balances and notes receivable during these periods. We recognized interest income of \$0.6 million and \$0.2 million for the three months ended September 30, 2023 and 2022, respectively.

Interest Expense

Interest expense was \$0.7 million for the three months ended September 30, 2023, which consists primarily of interest expense incurred in connection with our term loan under the Loan Agreement entered into in August 2022. We recognized an immaterial amount of interest expense during the three months ended September 30, 2022.

Change in Fair Value of Contingent Consideration Liability—Related Parties

The milestone and royalty payments in relation to the acquisition of Perception, InnarisBio and TryptageniX were recorded at the acquisition date or at the exercise date related to the call option, and is subsequently remeasured to fair value. For the three months ended September 30, 2023 and 2022 we recognized \$0.1 million of expense and \$0.4 million of income related to the change in fair value, respectively, due to updates to certain assumptions used to calculate the Perception contingent consideration liability.

Change in Fair Value of Securities carried at Fair Value

Changes in fair value of securities consists of changes in fair value of available for sale securities. During the three months ended September 30, 2023 and 2022 we recognized a gain of \$1.8 million and \$0.3 million, respectively, relating to the change in fair value of securities.

Change in Fair Value of Other Investments held at Fair Value

Changes in fair value of other investment held at fair value consists of subsequent remeasurement of our investments held at fair value, including COMPASS Pathways plc and IntelGenx Technologies Corp. During the three months ended September 30, 2023, we recognized a \$69.0 million non-cash change in fair value of other investments related to an accounting method change for our COMPASS Pathways plc investment requiring accounting at fair value. See Note 5 in the Notes to unaudited Condensed Consolidated Financial Statements in Part I, Item 1 for further information.

Change in Fair Value of Convertible Notes Receivable - Related Party

Changes in fair value of convertible notes receivable - related party, including interest, consists of subsequent remeasurement of our convertible notes receivable - related party with IntelGenx for which we have elected the fair value option. During the three months ended September 30, 2023 we recognized an immaterial change in the fair value related to interest accrued during the period. No change in fair value of convertible notes receivable - related party was recognized during the three months ended September 30, 2022. See Note 6 in the Notes to unaudited Condensed Consolidated Financial Statements in Part I, Item 1 for further information.

Foreign Exchange Gain (Loss), net

We recorded a gain of \$0.3 million related to foreign currency exchange rates for the three months ended September 30, 2023 and a gain of \$4.5 million related to foreign currency exchange rate for the three months ended September 30, 2022. This was due to the impact of fluctuations in the foreign currency exchange rate between the Euro and the U.S. dollar on our foreign denominated balances.

Other Income (Expense)

We incurred other expense of \$0.3 million for the three months ended September 30, 2023, which primarily consisted of a \$0.3 million increase to the allowances on receivables, partially offset by a \$0.1 million gain recognized on the Company divestment of its investment in Juvenescence Limited ("Juvenescence").

We incurred other expense of \$0.1 million for the three months ended September 30, 2022, which was comprised of \$0.3 million of external interest expense partially offset by \$0.2 million of service revenue generated for general and administrative services performed by atai on behalf of our platform companies.

Provision For Income Taxes

We incurred current income tax expense of \$0.2 million for the three months ended September 30, 2023 compared to \$0.1 million for the three months ended September 30, 2022. Our current income tax expense relates to book profits and thus taxable profits generated in our United States, Australian, and United Kingdom based subsidiaries.

Losses from Investments in Equity Method Investees

Losses from investment in equity method investees for the three months ended September 30, 2023 and 2022 was \$0.2 million and \$2.4 million, respectively. Loss from investment in equity method investees represents our share of equity method investee losses on the basis of our equity ownership percentages or based on our proportionate share of the respective class of securities in our other investments in the event that the carrying amount of our equity method investments was zero.

Comparison of the Nine Months Ended September 30, 2023 and 2022 (unaudited)

	Nine Months Ended September 30,			
	2023	2022	\$ Change	% Change
	(in thousands, except percentages)			
License revenue	\$ 296	\$ 195	101	51.8%
Operating expenses:				
Research and development	48,047	52,437	(4,390)	-8.4%
Acquisition of in-process research and development	—	357	(357)	-100.0%
General and administrative	44,159	54,623	(10,464)	-19.2%
Total operating expenses	92,206	107,417	(15,211)	-14.2%
Loss from operations	(91,910)	(107,222)	15,312	-14.3%
Other income (expense), net:				
Interest income	1,191	361	830	229.9%
Interest expense	(1,965)	—	(1,965)	100.0%
Change in fair value of contingent consideration liability - related parties	53	525	(472)	-89.9%
Change in fair value of warrant liability	—	53	(53)	-100.0%
Change in fair value of securities carried at fair value	3,322	(981)	4,303	-438.6%
Change in fair value of other investments held at fair value	69,014	—	69,014	100.0%
Change in fair value of convertible notes receivable - related party	22	—	22	100.0%
Foreign exchange gain (loss), net	(593)	11,515	(12,108)	-105.1%
Other income (expense), net	(100)	(112)	12	-10.7%
Total other income (expense), net	70,944	11,361	59,583	524.5%
Net income (loss) before income taxes	(20,966)	(95,861)	74,895	-78.1%
Provision for income taxes	(588)	(227)	(361)	159.0%
Losses from investments in equity method investees, net of tax	(3,199)	(14,680)	11,481	-78.2%
Net income (loss)	(24,753)	(110,768)	86,015	-77.7%
Net loss attributable to noncontrolling interests	(2,821)	(3,394)	573	-16.9%
Net income (loss) attributable to ATAI Life Sciences N.V. stockholders	\$ (21,932)	\$ (107,374)	\$ 85,442	-79.6%

License Revenue

We recognized \$0.3 million and \$0.2 million of license revenue during the nine months ended September 30, 2023 and 2022, respectively, related to certain research and development services performed by the Company pursuant to (the "Otsuka Agreement").

Research and Development Expenses

The table and discussion below present research and development expenses for the nine months ended September 30, 2023 and 2022:

	Nine Months Ended September 30,			
	2023	2022	Change	% Change
(in thousands, except percentages)				
Direct research and development expenses by program:				
Our Core Clinical Programs				
VLS-01	\$ 6,351	\$ 2,098	\$ 4,253	202.8 %
RL-007	5,797	1,758	4,039	229.7 %
EMP-01	2,124	3,542	(1,418)	-40.0 %
DMX-1002	1,324	2,160	(836)	-38.7 %
Our Other Clinical Programs				
PCN-101	5,774	9,503	(3,729)	-39.2 %
KUR-101	223	3,065	(2,842)	-92.7 %
RLS-01	125	1,797	(1,672)	-93.0 %
Enabling Technologies and Drug Discovery Platforms	4,106	6,827	(2,721)	-39.9 %
Unallocated research and development expenses:				
Personnel expenses	20,566	20,450	116	0.6 %
Professional and consulting services	1,279	752	527	70.1 %
Other	378	484	(106)	-21.9 %
Total research and development expenses	<u>\$ 48,047</u>	<u>\$ 52,437</u>	<u>\$ (4,389)</u>	<u>-8.4 %</u>

Research and development expenses were \$48.0 million for the nine months ended September 30, 2023, compared to \$52.4 million for the nine months ended September 30, 2022. The decrease of \$4.4 million was primarily attributable to a \$2.7 million decrease of costs related to our enabling technologies and drug discovery platform as discussed below, a \$2.2 million direct costs decrease in our clinical programs as discussed below and a \$0.1 million decrease in other costs, partially offset by a \$0.5 million increase in professional and consulting services fees and \$0.1 million increase in personnel costs, (inclusive of \$1.8 million of restructuring costs related to the reduction in force in February 2023 and a \$1.4 million decrease in stock-based compensation).

Our Core Clinical Programs:

VLS-01: N,N-dimethyltryptamine; (“DMT”) for Treatment Resistant Depression

The \$4.3 million increase in direct costs for VLS-01 was primarily due to an increase of \$2.3 million of clinical development costs, a \$1.4 million increase in preclinical development costs and a \$0.5 million increase in manufacturing costs relating to our completed Phase 1 three-part trial of VLS-01 designed to evaluate the safety, tolerability, PK and PD of VLS-01 delivered by intravenous (IV) infusion and using our proprietary oral transmucosal film (OTF) formulation.

RL-007: Pro-Cognitive Neuromodulator for Cognitive Impairment Associated with Schizophrenia

The \$4.0 million increase in direct costs for the RL-007 program was primarily due to an increase of \$4.0 million of clinical development costs and a \$0.1 million increase in manufacturing costs related to the on-going Phase 2b proof-of-concept clinical trial for RL-007 in CIAS.

EMP-01: 3,4-methylenedioxy-methamphetamine (MDMA) derivative for Post Traumatic Stress Disorder

The \$1.4 million decrease in direct costs for EMP-01 was primarily due to a decrease of \$2.1 million in preclinical development costs and \$0.7 million decrease in manufacturing costs, partially offset by a \$1.3 million increase in clinical development costs relating to our on-going Phase 1 single ascending dose trial to assess the safety and tolerability of orally administered EMP-01.

DMX-1002: Ibogaine for Opioid Use Disorder

The \$0.8 million decrease in direct costs for the DMX-1002 program was primarily due to a decrease of \$0.7 million of clinical development costs and \$0.1 million of manufacturing costs.

Our Other Clinical Programs

PCN-101 (R-Ketamine) for Treatment Resistant Depression

The \$3.7 million decrease in direct costs for PCN-101 was primarily due to a decrease of \$3.0 million of clinical development costs and \$0.7 million decrease in manufacturing costs.

KUR-101(deuterated mitragynine) for Opioid Use Disorder

The \$2.8 million decrease in direct costs for KUR-101 was primarily due to a \$2.1 million decrease in clinical development costs, \$0.5 million decrease in preclinical development costs, \$0.1 million decrease in manufacturing costs and \$0.1 million decrease in personnel costs.

RLS-01 for Treatment Resistant Depression

The \$1.7 million decrease in direct costs for RLS-01 was primarily due to a \$1.2 million decrease in manufacturing costs and \$0.5 million decrease in preclinical development costs.

Enabling Technologies and Drug Discovery Platforms

The \$2.7 million decrease in our enabling technologies and drug discovery platforms primarily relates to decreased direct costs of \$1.3 million related to our Invyxis program, \$0.8 million decrease in costs related to our TryptageniX program, \$0.3 million decrease in our Innaris program, \$0.3 million decrease in costs related to our PsyProtix program, \$0.2 million decrease in costs related to our Introspect program and a \$0.1 million decrease in Neuronasal, partially offset by a \$0.2 million increase in our EntheogeniX program and a \$0.1 million increase in our Psyber program.

Acquisition of In-Process Research and Development Expense

Acquisition of in-process research and development expenses were for the nine months ended September 30, 2023 and 2022 was \$0 and \$0.4 million, which related to license costs incurred by Kures.

General and Administrative Expenses

General and administrative expenses were \$44.2 million for the nine months ended September 30, 2023 compared to \$54.6 million for the nine months ended September 30, 2022. The decrease of \$10.5 million was largely attributable to a decrease of \$5.6 million in personnel and travel costs related costs (inclusive of \$3.2 million decrease in stock-based compensation), \$3.4 million decrease in VAT and other non-income taxes, \$1.6 million decrease in investor relations and public company compliance fees, \$1.2 million decrease in insurance costs and \$0.2 million decrease in legal and professional services costs, partially offset by \$1.4 million of restructuring costs related to the reduction in force in February 2023.

Interest Income

Interest income for the nine months ended September 30, 2023 and 2022 primarily consisted of interest earned on our cash balances and notes receivable during these periods. We recognized interest income of \$1.2 million and \$0.4 million for the nine months ended September 30, 2023 and 2022.

Interest Expense

Interest expense was \$2.0 million for the nine months ended September 30, 2023, which consists primarily of interest expense incurred in connection with our term loan under the Loan Agreement entered into in August 2022. We recognized an immaterial amount of interest expense during the nine months ended September 30, 2022.

Change in Fair Value of Contingent Consideration Liability—Related Parties

The milestone and royalty payments in relation to the acquisition of Perception, InnarisBio and TryptageniX were recorded at the acquisition date or at the exercise date related to the call option, and is subsequently remeasured to fair value. For the nine months ended September 30, 2023 and 2022 we recognized \$0.1 million and \$0.5 million of income related to the change in fair value, respectively, due to updates to certain assumptions used to calculate the Perception contingent consideration liability.

Change in Fair Value of Warrant Liability

Changes in fair value consist of subsequent remeasurement of our warrant liability relating to issued and outstanding warrants to purchase shares of Neuronasal's common stock acquired in connection with the acquisition of Neuronasal in May 2021. The change in fair value of warrant liability for the nine months ended September 30, 2023 and 2022 was not material.

Change in Fair Value of Securities carried at Fair Value

Changes in fair value of securities consists of changes in fair value of available for sale securities. We purchased the securities in January 2022. During the nine months ended September 30, 2023 and 2022 we recognized a gain of \$3.3 million and a loss of \$1.0 million, respectively, relating to the change in fair value of securities.

Change in Fair Value of Other Investments held at Fair Value

Changes in fair value of other investment held at fair value consists of subsequent remeasurement of our investments held at fair value, including COMPASS Pathways plc and IntelGenx Technologies Corp. During the nine months ended September 30, 2023, we recognized a \$69.0 million non-cash change in fair value of other investments related to an accounting method change for our COMPASS Pathways plc investment requiring accounting at fair value. See Note 5 in the Notes to unaudited Condensed Consolidated Financial Statements in Part I, Item 1 for further information.

Change in Fair Value of Convertible Notes Receivable - Related Party

Changes in fair value of convertible notes receivable - related party, including interest, consists of subsequent remeasurement of our short term notes receivable-related party with IntelGenx for which we have elected the fair value option. During the nine months ended September 30, 2023 we recognized an immaterial change in the fair value related to interest accrued during the period. No change in fair value of convertible notes receivable - related party was recognized during the nine months ended September 30, 2022.

Foreign Exchange Gain (Loss), net

We recorded a loss of \$0.6 million related to foreign currency exchange rates for the nine months ended September 30, 2023 and a gain of \$11.5 million related to foreign currency exchange rate for the nine months ended September 30, 2022. This was due to the impact of fluctuations in the foreign currency exchange rate between the Euro and the U.S. dollar on our foreign denominated balances.

Other Income (Expense)

We recognized other expense of \$0.1 million for the nine months ended September 30, 2023, which consists principally of a \$0.3 million of increase to the allowances on receivables, partially offset by a \$0.1 million gain recognized on the Company divestment of its investment in Juvenescence Limited ("Juvenescence") and \$0.1 million of service revenue generated for general and administrative services performed by atai on behalf of our platform companies.

We recognized \$0.1 million of other expense during the nine months ended September 30, 2022, which primarily was driven by \$0.3 million of external interest expense partially offset by \$0.2 million of service revenue generated for general and administrative services performed by atai on behalf of our platform companies. .

Provision For Income Taxes

We incurred current income tax expense of \$0.6 million for the nine months ended September 30, 2023 compared to \$0.2 million for the nine months ended September 30, 2022. Our current income tax expense relates to book profits and thus taxable profits generated in our United States, Australian, and United Kingdom based subsidiaries.

Losses from Investments in Equity Method Investees

Losses from investment in equity method investees for the nine months ended September 30, 2023 and 2022 was \$3.2 million and \$14.7 million, respectively. Loss from investment in equity method investees represents our share of equity method investee losses on the basis of our equity ownership percentages or based on our proportionate share of the respective class of securities in our other investments in the event that the carrying amount of our equity method investments was zero.

Liquidity and Capital Resources

As of September 30, 2023, we had cash and cash equivalents of \$76.5 million and short-term securities of \$132.5 million.

Sources of Liquidity

Convertible Promissory Notes

In November 2018, we issued an aggregate principal amount of \$0.2 million of convertible notes, or the 2018 Convertible Notes. The 2018 Convertible Notes are non-interest-bearing and have a maturity date of September 30, 2025, unless previously redeemed, converted, purchased or cancelled. In October 2020, we issued an additional aggregate principal amount of \$1.0 million of the 2018 Convertible Notes. Each note has a face value of €1 and is convertible into one ordinary share of ATAI Life Sciences AG upon the payment of €17.00. In 2021, several noteholders elected to convert their 2018 Convertible Notes into shares of ATAI Life Sciences N.V. These investors paid €17.00 per share for an aggregate amount of €5.8 million (\$6.9 million) in order to convert their 2018 Convertible Notes into common shares of ATAI Life Sciences AG, which was in accordance with the original terms of the 2018 Convertible Note Agreements. In May and July 2022, certain noteholders elected to convert some of their 2018 Convertible Notes into shares of ATAI Life Sciences N.V. The investors paid €17.00 per share for an aggregate amount of €4.6 million (\$4.6 million) in order to convert their 2018 Convertible Notes into common shares of ATAI Life Sciences AG. Concurrently with the conversion of the 2018 Convertible Notes into common shares of ATAI Life Sciences AG, the shares of ATAI Life Sciences AG that were issued to the noteholders were exchanged for shares of ATAI Life Sciences N.V. through a transfer and sale arrangement such that ATAI Life Sciences AG continued to remain a wholly owned subsidiary of ATAI Life Sciences N.V. and the transaction was accounted for as an equity transaction that resulted in no gain or loss recognition. The aggregate principal amount of 2018 Convertible Notes outstanding as of September 30, 2023 was \$0.4 million.

Investments

While a significant potential source of liquidity resides in our investment in COMPASS ordinary shares, subject to market conditions, we do not expect that our investment in COMPASS will be a material source of liquidity in the near term. Based on quoted market prices, the market value of our ownership in COMPASS was \$70.8 million as of September 30, 2023. As of September 30, 2023, our voting interest in COMPASS was 15.5%.

Hercules Term Loan

In August 2022, we entered into a Loan and Security Agreement, with Hercules Capital, Inc., which was most recently amended in May 2023. See “ – Liquidity Risks – *Indebtedness– Hercules Term Loan*” for additional information.

Liquidity Risks

As of September 30, 2023, we had cash and cash equivalents of \$76.5 million and short-term securities of \$132.5 million. We believe that our cash and cash equivalents will be sufficient to fund our projected operating expenses and capital expenditures through at least the next 12 months from the date of this Quarterly Report.

We expect to continue to incur substantial additional expenditures in the near term to support our ongoing activities. Additionally, we have incurred and expect to continue to incur additional costs as a result of operating as a public company. We expect to continue to incur net losses for the foreseeable future. Our ability to fund our product development and clinical operations as well as commercialization of our product candidates, will depend on the amount and timing of cash received from planned financings. Our future capital requirements will depend on many factors, including:

- the time and cost necessary to complete ongoing and planned clinical trials;
- the outcome, timing and cost of meeting regulatory requirements established by the FDA, the EMA and other comparable foreign regulatory authorities;
- the progress, timing, scope and costs of our preclinical studies, clinical trials and other related activities for our ongoing and planned clinical trials, and potential future clinical trials;
- the costs of commercialization activities for any of our product candidates that receive marketing approval, including the costs and timing of establishing product sales, marketing, distribution and manufacturing capabilities, or entering into strategic collaborations with third parties to leverage or access these capabilities;
- the amount and timing of sales and other revenues from our product candidates, if approved, including the sales price and the availability of coverage and adequate third party reimbursement;
- the cash requirements for purchasing additional equity from certain of our atai companies upon the achievement of specified development milestone events;
- the cash requirements for developing our programs and our ability and willingness to finance their continued development;

- the cash requirements for any future acquisitions or discovery of product candidates; and
- the time and cost necessary to respond to technological and market developments, including other products that may compete with one or more of our product candidates.

A change in the outcome of any of these or other variables with respect to the development of any of our product candidates could significantly change the costs and timing associated with the development of that product candidate. Further, our operating plans may change in the future, and we may need additional funds to meet operational needs and capital requirements associated with such operating plans. If we are unable to obtain this funding when needed on acceptable terms or at all, we could be forced to delay, limit or terminate our product development efforts.

Until such time, if ever, as we can generate substantial product revenue, we expect to finance our operations through a combination of equity financings, debt financings, collaborations with other companies and other strategic transactions. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making acquisitions or capital expenditures or declaring dividends. If we are unable to raise additional funds through equity or debt financings or other arrangements when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

Further, our operating plans may change, and we may need additional funds to meet operational needs and capital requirements for clinical trials and other research and development activities. Because of the numerous risks and uncertainties associated with the development and commercialization of our product candidates, we are unable to estimate the amounts of increased capital outlays and operating expenditures associated with our current and anticipated product development programs.

The following table summarizes our cash flows for the nine months ended September 30, 2023 and 2022:

	September 30,	
	2023	2022
	(in thousands)	
Net cash used in operating activities	\$ (62,156)	\$ (73,962)
Net cash used in investing activities	(52,472)	(166,900)
Net cash provided by financing activities	106	21,707
Effect of foreign exchange rate changes on cash	401	(572)
Net increase (decrease) in cash	\$ (114,121)	\$ (219,727)

Net Cash Used in Operating Activities

Net cash used in operating activities was \$62.2 million for the nine months ended September 30, 2023, which consisted of a net loss of \$23.0 million, adjusted by non-cash charges of \$43.9 million and a net cash outflow of \$4.8 million related to the change in operating assets and liabilities. The non-cash benefit primarily consisted \$69.0 million gain related to investments held at fair value and \$3.3 million gain relating to the change in the fair value of our short-term securities, partially offset by \$25.7 million of stock-based compensation, \$3.2 million of losses from our equity method investments, \$0.6 million of unrealized foreign exchange losses, \$0.3 million change in right-of-use asset and \$0.3 million amortization of debt discount. The net cash inflows from the change in operating assets and liabilities were primarily due to a decrease of \$6.7 million in prepaid expenses and other current assets and a \$3.1 million increase in accounts payable, partially offset by a \$5.0 million decrease in accrued liabilities.

Net cash used in operating activities was \$73.9 million for the nine months ended September 30, 2022, which consisted of a net loss of \$110.7 million, adjusted by non-cash charges of \$36.2 million and net cash inflows from the change in operating assets and liabilities of \$0.7 million. The non-cash charges primarily consisted of \$30.2 million of stock-based compensation, \$14.7 million of losses from our equity method investments and a \$1.0 million loss relating to the change in the fair value of our short-term securities during the period, partially offset by \$9.5 million of unrealized foreign exchange gains. The net cash inflows from the change in operating assets and liabilities were primarily due to a \$2.4 million decrease in accounts payable and a decrease of \$1.8 million in prepaid expenses and other current assets, partially offset by a \$4.9 million increase in accrued liabilities.

Net Cash Used in Investing Activities

Net cash used in investing activities was \$52.5 million for the nine months ended September 30, 2023, primarily driven by \$177.0 million of cash paid for securities at fair value, \$3.0 million of loans to related parties, \$2.2 million cash paid for investments held at fair value,

\$0.5 million of cash paid for acquisition of variable interest entity, \$0.3 million of capitalized internal-use software development costs, and \$0.3 million of purchases of property plant and equipment, partially offset by \$130.3 million of proceeds from the sale and maturities of securities carried at fair value and \$0.5 million from the sale of other investments.

Net cash used in investing activities was \$166.9 million for the nine months ended September 30, 2022, primarily driven by \$256.5 million of cash paid for securities carried at fair value, partially offset by \$94.0 million of proceeds from the sale and maturities of securities carried at fair value, \$3.0 million of loans remitted to related parties, \$0.6 million of additional investments in our platform companies, and \$0.7 million of purchases of property and equipment.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was \$0.1 million for the nine months ended September 30, 2023, due to \$0.2 million of proceeds from stock option exercises, partially offset by \$0.1 million of financing costs paid.

Net cash provided by financing activities was \$21.7 million for the nine months ended September 30, 2022, due to \$15 million proceeds from debt financings, \$4.6 million of proceeds from the conversion of convertible notes to common stock, \$2.2 million of proceeds from stock option exercises and \$0.6 million received from the issuance of subsidiary preferred shares, partially offset by \$0.7 million of debt financing costs remitted during the nine month period.

Indebtedness

Convertible Notes

In November 2018, we issued an aggregate principal amount of \$0.2 million of 2018 Convertible Notes. In October 2020, we issued an additional principal amount of \$1.0 million of 2018 Convertible Notes. The 2018 Convertible Notes are non-interest-bearing and have a maturity date of September 30, 2025, unless previously redeemed, converted, purchased or cancelled. Each note has a face value of €1 and is convertible into one common share of ATAI Life Sciences AG upon the payment of €17.00. Conversion rights may be exercised by a noteholder at any time prior to maturity, except during certain periods subsequent to the consummation of the IPO.

In 2021 and 2022, several noteholders elected to convert their 2018 Convertible Notes into common shares of ATAI Life Sciences N.V. These investors paid €17.00 per share for the aggregate amount of €5.8 million or \$6.9 million and €4.6 million (\$4.6 million), respectively, in order to convert their 2018 Convertible Notes into common shares of ATAI Life Sciences AG, which was in accordance with the original terms of the 2018 Convertible Note Agreements. Concurrent with the conversion of the 2018 Convertible Notes into common shares of ATAI Life Sciences AG, the common shares of ATAI Life Sciences AG that were issued to the noteholders were exchanged for 5,478,176 shares of ATAI Life Sciences N.V. through a transfer and sale arrangement such that ATAI Life Sciences AG continued to remain a wholly owned subsidiary of ATAI Life Sciences N.V and the transaction was accounted for as an equity transaction that resulted in no gain or loss recognition.

As of September 30, 2023 an aggregate principal amount of \$0.4 million remained outstanding under the 2018 Convertible Notes.

Hercules Term Loan

On August 9, 2022 (the “Closing Date”), we, ATAI Life Sciences AG (“ATAI AG” and together with the Company, the “Borrowers”) and certain of our subsidiary guarantors (collectively, the “Subsidiary Guarantors”) entered into a Loan and Security Agreement (the “Loan Agreement”) with Hercules Capital, Inc. (“Hercules”), in its capacity as administrative agent and collateral agent (the “Agent”) and as a lender, and certain other financial institutions that from time to time become parties to the Loan Agreement as lenders (collectively, the “Lenders”). The Loan Agreement provides for term loans in an aggregate principal amount of up to \$175.0 million under multiple tranches (the “2022 Term Loan Facility”).

On May 26, 2023, the “Company”, ATAI Life Sciences AG (“ATAI AG” and together with the Company, the “Borrowers”) and certain subsidiary guarantors of the Company (collectively, the “Subsidiary Guarantors”) entered into the Second Amendment to Loan and Security Agreement (the “Amendment”), with the several banks and other financial institutions or entities from time to time parties to the Loan Agreement (collectively, the “Lenders”) and Hercules Capital, Inc., a Maryland corporation, in its capacity as administrative agent and collateral agent for itself and for the Lenders (the “Agent”) which amends that certain Loan and Security Agreement, dated August 9, 2022 (as amended by that certain First Amendment to Loan and Security Agreement dated as of March 13, 2023, the “Existing Loan Agreement,” and as amended by the Amendment, the “Agreement”) to, among other things, (i) extend the availability of Tranche 1B of \$10.0 million, from May 1, 2023, under the Existing Loan Agreement, to November 15, 2024, (ii) extend the availability of Tranche 1C of \$15.0 million, from December 15, 2023, under the Existing Loan Agreement, to December 15, 2024, (iii) provide Tranche 1D of \$20.0 million, available upon the earlier of (x) the full draw of Tranche 1C and (y) the expiration of Tranche 1C availability, through February 15, 2025, (iv) extend the availability of Tranche 2 of \$15.0 million, from June 30, 2024, under the Existing Loan Agreement, subject to certain conditions under the Agreement, to the earlier of (x) the full draw of Tranche 1D and (y) the expiration of Tranche 1D availability,

through March 15, 2025, subject to the Tranche 2 Draw Test, (v) extend the timeline to achieve the second amortization extension condition, from June 30, 2024, in the Existing Loan Agreement, to December 15, 2024, (vi) amend the Tranche 2 Draw Test, satisfaction of which is a condition to draw Tranche 2 under the Agreement and (vii) extend the financial covenant commencement date, from the later of (x) July 1, 2023, and (y) the date that the outstanding debt under the facility is equal to or greater than \$40.0 million, in the Existing Loan Agreement, to the later of (x) May 1, 2024, and (y) the date that the outstanding debt under the facility is equal to or greater than \$30.0 million, provided, that the financial covenant is waived if the Company has a market capitalization of at least \$550.0 million.

We are permitted to engage in certain specified transactions (subject to mandatory prepayment in certain instances as well as certain limitations, including the pledge of equity interests of certain subsidiaries and VIEs), including but not limited to, (i) entering into non-exclusive and certain specified exclusive licensing arrangements with respect to intellectual property without the consent of the Lenders; and (ii) entering into certain permitted acquisitions.

The 2022 Term Loan Facility will mature on August 1, 2026 (the “Maturity Date”), which may be extended until February 1, 2027 if we achieve certain performance milestones, raise at least \$175.0 million of unrestricted new net cash proceeds from certain permitted sources after the Closing Date and prior to June 30, 2024, and satisfy certain other specified conditions. The outstanding principal balance of the 2022 Term Loan Facility bears interest at a floating interest rate per annum equal to the greater of either (i) the prime rate as reported in the Wall Street Journal plus 4.55% and (ii) 8.55%. Accrued interest is payable monthly following the funding of each term loan advance. We may make payments of interest only, without any loan amortization payments, for a period of thirty (30) months following the Closing Date, which period may be extended to (i) thirty-six months if certain additional performance milestones have been achieved; and (ii) forty-two months if certain additional performance milestones have been achieved. At the end of the interest only period, we are required to begin repayment of the outstanding principal of the 2022 Term Loan Facility in equal monthly installments.

As collateral for the obligations under the 2022 Term Loan Facility, we have granted to the Agent for the benefit of the Lenders a senior security interest in substantially all of our, ATAI AG and each Subsidiary Guarantor’s property (including a pledge of equity interests of certain subsidiaries and VIEs), exclusive of intellectual property, with certain limited exceptions set forth in the Loan Agreement.

The Loan Agreement contains customary closing and commitment fees, prepayment fees and provisions, events of default and representations, warranties and affirmative and negative covenants, including a financial covenant requiring us to maintain certain levels of cash in accounts subject to a control agreement in favor of the Agent (the “Qualified Cash”) at all times commencing from the Closing Date, which includes a cap on the amount of cash that can be held by, among others, certain of our foreign subsidiaries in Australia and the United Kingdom. In addition, the financial covenant under the Loan Agreement requires that beginning on the later of (i) July 1, 2023 and (ii) the date on which the aggregate outstanding amount borrowed under the 2022 Term Loan Facility is equal to or greater than \$40.0 million, we shall maintain Qualified Cash in an amount no less than the sum of (1) 33% of the outstanding amount under the 2022 Term Loan Facility, and (2) the amount of the Borrowers’ and Subsidiary Guarantors’ accounts payable that have not been paid within 180 days from the invoice date of the relevant account payable, subject to certain exceptions; provided, that the financial covenant shall not apply on any day that our market capitalization is at least \$550.0 million measured on a consecutive 10-business day period immediately prior to such date of measurement and tested on a daily basis. Upon the occurrence of an event of default, including a material adverse effect, subject to certain exceptions, on our and ATAI AG’s, taken together, business, operations, properties, assets or financial condition, and subject to any specified cure periods, all amounts owed by us may be declared immediately due and payable by the Lenders. As of September 30, 2023 we were in compliance with all applicable covenants under the Loan Agreement.

In addition, we are required to make a final payment fee (the “End of Term Charge”) upon the earlier of (i) the Maturity Date, (ii) the date that we prepay, in full or in part, the principal balance of the 2022 Term Loan Facility, or (iii) the date that the outstanding balance of the 2022 Term Loan Facility becomes due and payable. The End of Term Charge is 6.95% of the aggregate original principal amount of the term loans so repaid or prepaid under the Loan Agreement.

We may, at our option, prepay the term loans in full or in part, subject to a prepayment penalty equal to (i) 2.00% of the principal amount prepaid if the prepayment occurs on or prior to the first anniversary of the Closing Date, (ii) 1.0% of the principal amount prepaid if the prepayment occurs after the first anniversary and on or prior to the second anniversary of the Closing Date, and (iii) 0.5% of the principal amount prepaid if the prepayment occurs after the second anniversary and prior to the Maturity Date.

Material Cash Requirements from Known Contractual and Other Obligations and Commitments

Our commitments and obligations were reported in our Annual Report on Form 10-K for the year ended December 31, 2022, which was filed with the SEC on March 24, 2023. During the nine months ended September 30, 2023, there have been no material changes from the contractual commitments and obligations previously disclosed in our Form 10-K, with the exception of the five year lease that commenced in February 2023 that is further described in Note 10 of the notes to our unaudited condensed consolidated financial statements appearing under Part 1, Item 1.

Recently Adopted Accounting Pronouncements

See Note 2, “Summary of Significant Accounting Policies—Recently Adopted Accounting Pronouncements” to our unaudited condensed consolidated financial statements appearing under Part 1, Item 1 for more information.

Critical Accounting Policies and Estimates

Our critical accounting policies are described under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates” in our Form 10-K and in Note 2 to our consolidated financial statements included in our Form 10-K. As disclosed in Note 2 to our consolidated financial statements included in our Form 10-K, the preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ significantly from those estimates. During the period covered by this Quarterly Report, there were no material changes to our critical accounting policies from those discussed in our Form 10-K.

JOBS Act

We are an emerging growth company, as defined in the JOBS Act. We intend to rely on certain of the exemptions and reduced reporting requirements provided by the JOBS Act. We have elected to use the extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that (i) we are no longer an emerging growth company or (ii) we affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our condensed consolidated financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates.

As described in Note 2 to our unaudited condensed consolidated financial statements included in Part 1, Item 1, we have early adopted certain accounting standards, as the JOBS Act does not preclude an emerging growth company from adopting a new or revised accounting standard earlier than the time that such standard applies to private companies. We expect to use the extended transition period for any other new or revised accounting standards during the period in which we remain an emerging growth company.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of fluctuations in interest rates and foreign currency exchange rates. In addition, our portfolio of notes receivables is exposed to credit risk in the form of non-payment or non-performance. In mitigating our credit risk, we consider multiple factors, including the duration and terms of the note and the nature of and our relationship with the counterparty.

Interest Rate Sensitivity

Our primary exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates. As of September 30, 2023 we had cash and cash equivalents of \$76.5 million and short-term securities of \$132.5 million. We generally hold our cash in interest-bearing demand deposit accounts and short-term securities. Due to the nature of our cash and investment portfolio, a hypothetical 100 basis point change in interest rates would not have a material effect on the fair value of our cash. Our cash is held for working capital purposes. The Company purchases investment grade marketable debt securities which are rated by nationally recognized statistical credit rating organizations in accordance with its investment policy. This policy is designed to minimize the Company’s exposure to credit losses and to ensure that the adequate liquidity is maintained at all times to meet anticipated cash flow needs.

As of September 30, 2023, we had \$0.4 million in convertible promissory notes – related parties, net, which was comprised of non-interest-bearing borrowings under the 2018 Convertible Notes. Based on the principal amounts of the convertible promissory notes and the interest rate assigned to the convertible promissory notes, a hypothetical 10% change in interest rates would not have a material impact on our convertible promissory notes, financial position or results of operations.

As of September 30, 2023, the carrying amount of our short and long-term notes receivables was an aggregate amount of \$10.3 million. Based on the principal amounts of the notes receivable and the interest rates assigned to each note receivable as per their respective contracts, a hypothetical 10% change in the interest rates would not have a material impact on our notes receivables, financial position or results of operations.

Foreign Currency Exchange Risk

Our reporting and functional currency is the U.S. dollar, and the functional currency of our foreign subsidiaries is generally the respective local currency. The assets and liabilities of each of our foreign subsidiaries are translated into U.S. dollars at exchange rates in effect at each balance sheet date. Adjustments resulting from translating foreign functional currency financial statements into U.S. dollars are recorded as a separate component on the Condensed Consolidated Statements of Comprehensive Loss. Equity transactions are translated

using historical exchange rates. Expenses are translated using the average exchange rate during the previous month. Gains or losses due to transactions in foreign currencies are included in interest and other income (expense), net in our Condensed Consolidated Statements of Operations.

The volatility of exchange rates depends on many factors that we cannot forecast with reliable accuracy. We have experienced and will continue to experience fluctuations in foreign exchange gains and losses related to changes in foreign currency exchange rates. In the event our foreign currency denominated assets, liabilities, revenue, or expenses increase, our results of operations may be more greatly affected by fluctuations in the exchange rates of the currencies in which we do business, resulting in unrealized foreign exchange gains or losses. We have not engaged in the hedging of foreign currency transactions to date, although we may choose to do so in the future.

A hypothetical 10% change in the relative value of the U.S. dollar to other currencies during any of the periods presented would not have had a material effect on our condensed consolidated financial statements, but could result in significant unrealized foreign exchange gains or losses for any given period.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2023, the end of the period covered by this Quarterly Report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2023 at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as that term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal quarter ended September 30, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II- OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we have been and may again become involved in legal proceedings arising in the ordinary course of our business. Although the results of litigation and claims cannot be predicted with certainty, we do not believe we are party to any claim or litigation the outcome of which, if determined adversely to us, would individually or in the aggregate be reasonably expected to have a material adverse impact on our financial position, results of operations or cash flows. Regardless of the outcome, litigation can have an adverse effect on us because of defense and settlement costs, diversion of management resources and other factors.

Item 1A. Risk Factors.

Investing in our common shares involves a high degree of risk. In addition to the other information set forth in this Quarterly Report and in other documents that we file with the SEC, you should carefully consider the factors described in the section titled "Risk Factors" in our Form 10-K. There have been no material changes to the risk factors described in Part I, Item 1A of our Form 10-K. If any of the risk factors described in the Form 10-K actually materializes, our business, financial condition and results of operations could be materially adversely affected. In such an event, the market price of our common shares could decline and you may lose all or part of your investment. Additional risks that we currently do not know about or that we currently believe to be immaterial may also impair our business. We may disclose changes to such risk factors or disclose additional risk factors from time to time in our future filings with the SEC.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

- a) None.
- b) None.
- c) Not applicable.

Item 6. Exhibits.

Exhibit Number	Description	Incorporated by Reference				Filed/Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Articles of Association of ATAI Life Sciences N.V. (translated into English), currently in effect	S-3	333-265970	3.1	7/01/2022	
3.2	Rules of the Management Board of ATAI Life Sciences N.V.	S-1/A	333- 255383	3.2	6/11/2021	
3.3	Rules of the Supervisory Board of ATAI Life Sciences N.V.	S-1/A	333- 255383	3.3	6/11/2021	
10.1#	Amended Executive Employment Agreement, dated August 25, 2023, by and between atai Life Sciences US, Inc. and Stephen Bardin	8-K	001-40493	10.1	8/31/2023	
10.2†	Fourth Amendment to Series A Preferred Stock Purchase Agreement by and among atai Life Sciences AG, Recognify Life Sciences, Inc., f/k/a FSV7, Inc., and the Shareholders (as listed on Exhibit A)					*
31.1	Certification of Principal Executive Officer pursuant to Exchange Act Rule 13a-14(a)					*
31.2	Certification of Principal Financial Officer pursuant to Exchange Act Rule 13a-14(a)					*
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350					**
32.2	Certification of Principal Financial Officer 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 its 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 (formatted as Inline XBRL and contained in Exhibit 101)					*

* Filed herewith.

** Furnished herewith.

Management contract or compensatory plan, contract or arrangement.

† Certain confidential portions (indicated by brackets and asterisks) have been omitted from this exhibit pursuant to Item 601(b)(10)(iv).

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.

ATAI LIFE SCIENCES N.V.

Date: November 14, 2023

By: /s/ Florian Brand
Florian Brand
Chief Executive Officer and Managing Director
(Principal Executive Officer)

Date: November 14, 2023

By: /s/ Anne Johnson
Anne Johnson
Interim Chief Financial Officer
(Principal Financial and Accounting Officer)

[***] Certain information in this document has been omitted from this exhibit because (i) the Company customarily and actually treats such information as private or confidential and (ii) the omitted information is not material.]

EXECUTION COPY

**FOURTH AMENDMENT TO
SERIES A PREFERRED STOCK PURCHASE AGREEMENT**

THIS FOURTH AMENDMENT TO SERIES A PREFERRED STOCK PURCHASE AGREEMENT (this “**Amendment**”) is entered into as of August 15, 2023, by and among ATAI LIFE SCIENCES AG, a German corporation (“**ATAI**”), RECOGNIFY LIFE SCIENCES, INC., f/k/a FSV7, INC., a Delaware corporation (the “**Company**”) and the other persons and entities listed on Exhibit A hereto (the “**Shareholders**” and collectively with ATAI and the Company, the “**Parties**”).

W I T N E S S E T H:

A. The Shareholders, ATAI and the Company have entered into that certain SERIES A PREFERRED STOCK PURCHASE AGREEMENT, as amended, restated, amended and restated, supplemented or otherwise modified from time to time, including, without limitation, with respect to the SPA through that certain AMENDMENT TO SERIES A PREFERRED STOCK PURCHASE AGREEMENT dated May 27, 2021 (“**Amendment 1**”), and the SECOND AMENDMENT TO SERIES A PREFERRED STOCK PURCHASE AGREEMENT dated September 17, 2021 (“**Amendment 2**”) and as further amended by that certain Omnibus Amendment dated October 5, 2022 (the “**Omnibus Amendment**” and as so amended, the “**SPA**”).

B. Pursuant to the Omnibus Amendment, the Parties agreed to (i) a POC Study designed to take into consideration certain No-Go Events, (ii) related amendments to Milestone 3, and (iii) certain understandings and commitments relating to future funding of the POC Study by ATAI based on such No-Go Events.

C. Pursuant to the Omnibus Amendment, prior to the date hereof, (i) the Board certified that the events specified under Milestone 3 First Tranche have occurred, and (ii) ATAI has paid to the Company \$[***] in exchange for [***] shares of Series A Preferred Stock and as a result, the Parties agree that ATAI has, in aggregate and prior to the date hereof, funded Milestones in an amount of \$[***] in exchange for a total of [***] shares of Series A Preferred Stock (which are no longer subject to the Repurchase Option), with [***] shares remaining as Escrow Shares as of the date hereof.

D. The Company and ATAI agree that completion of the Phase 2 POC Study will require more than \$[***] and ATAI is willing to fund up to the maximum of \$[***] envisaged under the SPA, thereby necessitating that the Company issue the Second Warrant, as per Section 4.15(c) of the SPA. The Company now desires to further revise the POC Study design by, *inter alia*, eliminating the first interim analysis previously envisaged for the POC Study as articulated in the Omnibus Amendment (*i.e.*, Exhibit I, Milestone 3 First Tranche therein), thereby necessitating the Parties’ (i) further amendments to the No-Go Events and related Milestones as provided in this Amendment, (ii) agreement to new Milestones and (iii) the implementation of a

potential and expeditious path to providing the Additional Funding, if and as needed and consistent with Section 1.3(d) of the SPA (as amended by the Omnibus Amendment), via convertible notes and related note purchase agreements, in each case as further set forth in this Amendment.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenant contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

SECTION 1. Defined Terms. Capitalized terms used herein (including in the preamble and recitals above) but not otherwise defined herein shall have the respective meanings ascribed to such terms in the SPA.

SECTION 2. Amendments to SPA. The Parties hereby agree that the SPA shall be amended as set forth below:

(a)Section 1.3 (a)(iii) of the SPA shall hereby be amended by deleting it in its entirety and replacing it with the following:

“(iii) Subject to Section 1.3(d) below, (A) [***] shares of Series A Preferred Stock at the Purchase Price on the certification by the Board (as confirmed by ATAI, which confirmation not to be unreasonably withheld) that the events specified under “Milestone 3 First Tranche” in Exhibit I have occurred (“**Milestone 3 First Tranche**”), (B) [***] shares of Series A Preferred Stock at the Purchase Price on the certification by the Board (as confirmed by ATAI, which confirmation not to be unreasonably withheld) that the events specified under “Milestone 3 Second Tranche” in Exhibit I have occurred (“**Milestone 3 Second Tranche**”) and (C) [***] shares of Series A Preferred Stock at the Purchase Price on the certification by the Board (as confirmed by ATAI, which confirmation not to be unreasonably withheld) that the events specified under “Milestone 3 Third Tranche” in Exhibit I have occurred (“**Milestone 3 Third Tranche**”, collectively with Milestone 3 First Tranche and Milestone 3 Second Tranche, “**Milestone 3**”; and, Milestone 3 together with Milestone 1 and Milestone 2, the “**Milestones**”); provided however, ATAI shall have the right, but not the obligation, to make payment for up to [***] of the Milestone Shares at any time upon notice to the Company, irrespective of the achievement of any Milestone and, upon such payment, the Company shall instruct the Escrow Agent to release to ATAI the corresponding number of Escrow Shares. For the avoidance of doubt the Parties hereby acknowledge and agree that the issuance of any additional shares directly, or upon conversion of the Convertible Notes (as hereinafter defined), associated with any Additional Funding (as hereinafter defined) would be effected without prejudice or detriment to the Second Warrant or the shares of Series A Preferred Stock issued pursuant thereto.”

(b)Section 1.3 (d) of the SPA shall hereby be amended by deleting it in its entirety and replacing it with the following:

“(d) If, following achievement of Milestone 3 Third Tranche in full, the Company reasonably determines that additional funding is required for completion of the Phase 2 POC Study designed to evaluate FSV7-007 as a potential treatment for cognitive impairment associated with schizophrenia (the “**Phase 2 POC Study**”, or the “**POC Study**”), then the Company and ATAI shall negotiate in good faith

(i) any necessary updates to the Initial Clinical Development Plan (as such may be amended from time-to-time, attached hereto as Exhibit J), (ii) an increase to the budget necessary to complete the POC Study (any such increase, not to exceed \$[***] in excess of the \$[***] provided for hereunder, the “**Additional Funding**”), and (iii) a further amendment to this Agreement providing for such Additional Funding, the new Milestones governing such Additional Funding. The Parties acknowledge and agree that such Additional Funding can be provided (x) through an additional preferred stock investment or, (y) in the sole discretion of ATAI, through a convertible note and corresponding note purchase agreement (each substantially in the form attached hereto as Exhibit M (the “**Convertible Note**”) and Exhibit N (the “**Note Purchase Agreement**”), which, for the avoidance of doubt, would not be made available solely to ATAI but would also be made available to (I) Purchasers other than ATAI who want to participate in such Additional Funding up to their pro rata shares and (II) other investors reasonably acceptable to the Company, provided that no such other investors’ participation may, without the prior written consent of ATAI, reduce ATAI’s ability to participate in such Additional Funding to any amount less than its pro rata shares. For clarity, if ATAI consents to the Additional Funding through the Convertible Note and Note Purchase Agreement, the Parties agree that the Additional Funding will be obtained thereby, any authorized use of proceeds thereunder shall constitute one or more Milestones hereunder, and any obligations of ATAI pursuant to this Section 1.3(d) with respect to the Additional Funding will be discharged in full.”

(c)Exhibit I of the SPA shall hereby be amended by deleting the text under “Milestone 3” thereof in its entirety and replacing it with the following:

“Milestone 3:

Milestone 3 First Tranche

ATAI shall pay to the Company \$[***] upon the certification by the Board (as confirmed by ATAI, which confirmation not to be unreasonably withheld) of an update to the Initial Clinical Development Plan, which update will include go/no-go decisions governing the conduct of the POC Study. The Parties agree that a 3-person independent data monitoring committee (whose members shall be mutually agreeable to the Company and ATAI, the “**Independent Data Monitoring Committee**”) will, in its sole discretion and based on its expert interpretation of the statistical analytical plan (the “**SAP**”, which SAP shall be mutually agreeable to the Company and ATAI, and which shall not be amended or replaced without ATAI’s prior written consent) for the adaptive three arm, parallel, randomized, controlled trial design with one interim analysis, recommend whether or not to stop further development for one or more arms (any such recommendation, a “**Recommendation**”) at the interim analysis. If the Independent Data Monitoring Committee makes a Recommendation against further development of a given arm (a “**No-Go Event**”) at such interim analysis then, unless otherwise agreed by the Board (as confirmed by ATAI in its sole

discretion, which confirmation not to be unreasonably withheld), such arm shall be discontinued.

Milestone 3 Second Tranche

ATAI shall pay to the Company \$[***] upon enrolment of the [***] patient in the POC Study in the US, provided that one more arms of the POC Study have not received a No-Go Event as of the time of such occurrence.

Milestone 3 Third Tranche

ATAI shall pay to the Company \$[***] upon enrolment of the first patient in (FPI) in the POC Study in Europe, provided that one more arms of the POC Study have not received a No-Go Event as of the time of such occurrence.

SECTION 3. Second Warrant. The Company shall promptly issue to ATAI the Second Warrant, in satisfaction of its obligations under Section 4.15(c) of the SPA.

SECTION 4. Further Assurances. Each of the Parties hereto agrees to execute, acknowledge, seal and deliver, after the date hereof, without additional consideration, such further assurances, instruments and documents, and to take such further actions, as another party may reasonably request in order to fulfill the intent of this Amendment and the transactions contemplated hereby.

SECTION 5. Counterparts. This Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Amendment. Receipt by facsimile or other electronic transmission (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, e.g., www.docusign.com) of any executed signature page to this Amendment shall constitute effective delivery of such signature page.

SECTION 6. SPA. Other than as specifically set forth herein, the SPA shall remain in full force and effect.

SECTION 7. Miscellaneous. Sections 6.2, 6.3, 6.5 through 6.13 and 6.15 of the SPA (or any successor provisions thereto) shall apply to this Amendment *mutatis mutandis*.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first written above.

COMPANY:
RECOGNIFY LIFE SCIENCES, INC.

By: /s/ Matt Pando

Name: Matthew P. Pando

Title: Chief Executive Officer

(Recognify Life Sciences, Inc. - Signature page to Fourth SPA Amendment)

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first written above.

ATAI:
ATAI LIFE SCIENCES AG

By: /s/ Florian Brand

Name: Florian Brand

Title: Chief Executive Officer

(Recognify Life Sciences, Inc. - Signature page to Fourth SPA Amendment)

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first written above.

SHAREHOLDER:

By: /s/ K. Angela Macfarlane

Name: K. Angela Macfarlane

(Recognify Life Sciences, Inc. - Signature page to Fourth SPA Amendment)

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first written above.

SHAREHOLDER:

By: /s/ Eugene de Juan, Jr.

Name: Eugene de Juan, Jr.

(Recognify Life Sciences, Inc. - Signature page to Fourth SPA Amendment)

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first written above.

SHAREHOLDER:

By: /s/ Gary Walker

Name: Gary Walker

(Recognify Life Sciences, Inc. - Signature page to Fourth SPA Amendment)

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first written above.

SHAREHOLDER:

Donello Family Trust

By: /s/ John Donello

Name: John Donello Title: Trustee

(Recognify Life Sciences, Inc. - Signature page to Fourth SPA Amendment)

**EXHIBIT A TO
FOURTH AMENDMENT TO SERIES A PREFERRED STOCK PURCHASE AGREEMENT
SHAREHOLDERS**

ATAI Life Sciences AG

K. Angela Macfarlane Matthew Pando
Gary Walker Eugene de Juan, Jr.
Donello Family Trust

EXHIBIT J TO SPA

INITIAL CLINICAL DEVELOPMENT PLAN

[***]

EXHIBIT M TO SPA
CONVERTIBLE PROMISSORY NOTE
[***]

EXHIBIT N TO SPA PURCHASE AGREEMENT

[***]

CERTIFICATION

I, Florian Brand, certify that:

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

Date: November 14, 2023

By: /s/ Florian Brand
Florian Brand
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Anne Johnson, certify that:

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

Date: November 14, 2023

By: /s/ Anne Johnson
 Anne Johnson
 Interim Chief Financial Officer
 (Principal Financial Officer)

By: /s/ Florian Brand
 Florian Brand
 Chief Executive Officer
(Principal Executive Officer)

