UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2024

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: 001-40323

RECURSION PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware 46-4099738

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

41 S Rio Grande Street
Salt Lake City, UT 84101
(Address of principal executive offices) (Zip code)
(385) 269 - 0203
(Registrant's telephone number, including area code)

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value $0.00001	RXRX	Nasdaq Global Select Market

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

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

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

Large accelerated filer	☒	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 July 31, 2024, there were 273,940,019 and 7,168,575 of the registrant's Class A and B common stock outstanding, respectively.

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Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" about us and our industry within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts are forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "would," "expect," "plan," "anticipate," "could," "intend," "target," "project," "contemplate," "believe," "estimate," "predict," "potential," or "continue" or the negative of these terms or other similar expressions. Forward-looking statements contained in this report may include without limitation those regarding:

- our research and development programs;
- the initiation, timing, progress, results, and cost of our current and future preclinical and clinical studies, including statements regarding the design of, and the timing of initiation and completion of, studies and related preparatory work, as well as the period during which the results of the studies will become available;
- the ability of our clinical trials to demonstrate the safety and efficacy of our drug candidates, and other positive results;
- the ability and willingness of our collaborators to continue research and development activities relating to our development candidates and investigational medicines;
- future agreements with third parties in connection with the commercialization of our investigational medicines and any other approved product;
- the timing, scope, or likelihood of regulatory filings and approvals, including the timing of Investigational New Drug applications and final approval by the U.S. Food and Drug Administration, or FDA, of our current drug candidates and any other future drug candidates, as well as our ability to maintain any such approvals;
- the timing, scope, or likelihood of foreign regulatory filings and approvals, including our ability to maintain any such approvals;
- the size of the potential market opportunity for our drug candidates, including our estimates of the number of patients who suffer from the diseases we are targeting and potential annual sales;
- our ability to identify viable new drug candidates for clinical development and the rate at which we expect to identify such candidates, whether through an inferential approach or otherwise;
- our expectation that the assets that will drive the most value for us are those that we will identify in the future using our datasets and tools;
- our ability to develop and advance our current drug candidates and programs into, and successfully complete, clinical studies;
- our ability to reduce the time or cost or increase the likelihood of success of our research and development relative to the traditional drug discovery paradigm;
- our ability to improve, and the rate of improvement in, our infrastructure, datasets, biology, technology tools and drug discovery platform, and our ability to realize benefits from such improvements;
- our expectations related to the performance and benefits of our BioHive supercomputer, including our planned expansion of the BioHive supercomputer capabilities;
- our ability to realize a return on our investment of resources and cash in our drug discovery collaborations;
- our ability to integrate acquired businesses with our existing programs and platform and realize a return on acquired assets;
- our ability to leverage datasets acquired through licenses with third parties, including with Tempus, into increased machine learning capabilities, novel genetic associations and mechanisms, innovative therapeutics, or other beneficial outcomes;
- our ability to derive value from our Recursion OS by licensing subsets of data and key tools;
- the ability to construct and apply more and increasingly sophisticated foundation models and large language models across biology, chemistry and translation and to use these models to drive new, better programs into clinical development both in our own pipeline and with our current and future partners at scale;
- our ability to scale like a technology company, including scaling our Recursion OS, and to add more programs to our pipeline each year;
- our ability to successfully compete in a highly competitive market;
- our manufacturing, commercialization and marketing capabilities and strategies;
- our plans relating to commercializing our drug candidates, if approved, including the geographic areas of focus and sales strategy;
- our expectations regarding the approval and use of our drug candidates in combination with other drugs;
- the rate and degree of market acceptance and clinical utility of our current drug candidates, if approved, and other drug candidates we may develop;
- our competitive position and the success of competing approaches that are or may become available;
- our estimates of the number of patients that we will enroll in our clinical trials and the timing of their enrollment;
- the beneficial characteristics, safety, efficacy and therapeutic effects of our drug candidates;
- our plans for further development of our drug candidates, including additional indications we may pursue;

- our ability to adequately protect and enforce our intellectual property and proprietary technology, including the scope of protection we are able to establish and maintain for intellectual property rights covering our current drug candidates and other drug candidates we may develop, receipt of patent protection, the extensions of existing patent terms where available, the validity of intellectual property rights held by third parties, the protection of our trade secrets, and our ability not to infringe, misappropriate or otherwise violate any third-party intellectual property rights;
- the impact of any intellectual property disputes and our ability to defend against claims of infringement, misappropriation, or other violations of intellectual property rights;
- our ability to keep pace with new technological developments;
- our ability to utilize third-party open source software and cloud-based infrastructure, on which we are dependent;
- the adequacy of our insurance policies and the scope of their coverage;
- the potential impact of a pandemic, epidemic, or outbreak of an infectious disease, such as COVID-19, or natural disaster, global political instability or warfare, and the effect of such outbreak or natural disaster, global political instability or warfare on our business and financial results;
- our ability to maintain our technical operations infrastructure to avoid errors, delays, or cybersecurity breaches;
- our continued reliance on third parties to conduct additional clinical trials of our drug candidates, and for the manufacture of our drug candidates for preclinical studies and clinical trials;
- our ability to obtain and negotiate favorable terms of, any collaboration, licensing, or other arrangements that may be necessary or desirable to research, develop, manufacture, or commercialize our platform and drug candidates;
- the pricing and reimbursement of our current drug candidates and other drug candidates we may develop, if approved;
- our estimates regarding expenses, future revenue, capital requirements and need for additional financing;
- our financial performance;
- the period over which we estimate our existing cash and cash equivalents will be sufficient to fund our future operating expenses and capital expenditure requirements;
- our ability to raise substantial additional funding;
- the impact of current and future laws and regulations, and our ability to comply with all regulations that we are, or may become, subject to;
- the need to hire additional personnel and our ability to attract and retain such personnel;
- the impact of any current or future litigation, which may arise during the ordinary course of business and be costly to defend;
- the need to raise additional capital may cause dilution to our stockholders, restrict our operations, require us to relinquish rights to our technologies or drug candidates, and divert management's attention from our core business;
- our anticipated use of our existing resources and the net proceeds from our initial public offering; and
- other risks and uncertainties, including those listed in the section titled "Risk Factors."

We have based these forward-looking statements largely on our current expectations and projections about our business, the industry in which we operate, and financial trends that we believe may affect our business, financial condition, results of operations and prospects. These forward-looking statements are not guarantees of future performance or development. These statements speak only as of the date of this report and are subject to a number of risks, uncertainties and assumptions described in the section titled "Risk Factors" and elsewhere in this report. Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, you should not rely on these forward-looking statements as predictions of future events. The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. Except as required by applicable law, we undertake no obligation to update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, or otherwise.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this report. While we believe such information forms a reasonable basis for such statements, the information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and you are cautioned not to unduly rely upon them.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

Recursion Pharmaceuticals, Inc.
Condensed Consolidated Balance Sheets (unaudited)
(in thousands, except share and per share amounts)

	June 30, 2024	December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	$ 474,341	$ 391,565
Restricted cash	1,783	3,231
Other receivables	2,526	3,094
Other current assets	43,725	40,247
Total current assets	522,375	438,137
Restricted cash, non-current	6,629	6,629
Property and equipment, net	83,633	86,510
Operating lease right-of-use assets	44,088	33,663
Financing lease right-of-use assets	28,562	—
Intangible assets, net	38,210	36,443
Goodwill	52,056	52,056
Other assets, non-current	308	261
Total assets	$ 775,861	$ 653,699
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	$ 3,762	$ 3,953
Accrued expenses and other liabilities	33,401	46,635
Unearned revenue	32,204	36,426
Notes payable and financing lease liabilities	8,109	41
Operating lease liabilities	8,607	6,116
Total current liabilities	86,083	93,171
Unearned revenue, non-current	29,169	51,238
Notes payable and financing lease liabilities, non-current	22,921	1,101
Operating lease liabilities, non-current	50,239	43,414
Deferred tax liabilities	—	1,339
Other liabilities, non-current	3,000	—
Total liabilities	191,412	190,263
Commitments and contingencies (Note 7)		
Stockholders' equity		
Common stock, $0.00001 par value; 2,000,000,000 shares (Class A 1,989,032,117 and Class B 10,967,883) authorized as of June 30, 2024 and December 31, 2023; 280,968,276 shares (Class A 273,606,541, Class B 7,268,575 and Exchangeable 93,160) and 234,270,384 shares (Class A 226,264,764, Class B 7,544,871 and Exchangeable 460,749) issued and outstanding as of June 30, 2024 and December 31, 2023, respectively	3	2
Additional paid-in capital	1,740,981	1,431,056
Accumulated deficit	(1,156,535)	(967,622)
Total stockholders' equity	584,449	463,436
Total liabilities and stockholders' equity	$ 775,861	$ 653,699

See the accompanying notes to these condensed consolidated financial statements.

Recursion Pharmaceuticals, Inc.
Condensed Consolidated Statements of Operations and Comprehensive Loss (unaudited)
(in thousands, except share and per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2024	**2023**	**2024**	**2023**
Revenue				
Operating revenue	$ 14,404	$ 11,016	$ 27,895	$ 23,150
Grant revenue	13	1	316	1
Total revenue	14,417	11,017	28,211	23,151
Operating costs and expenses				
Cost of revenue	9,199	9,382	20,365	21,829
Research and development	73,928	55,060	141,488	101,737
General and administrative	31,833	28,290	63,241	51,165
Total operating costs and expenses	114,960	92,732	225,094	174,731
Loss from operations	(100,543)	(81,715)	(196,883)	(151,580)
Other income, net	2,480	4,989	6,668	9,527
Loss before income tax benefit	(98,063)	(76,726)	(190,215)	(142,053)
Income tax benefit	523	—	1,302	—
Net loss and comprehensive loss	$ (97,540)	$ (76,726)	$ (188,913)	$ (142,053)
Per share data				
Net loss per share of Class A, B and Exchangeable common stock, basic and diluted	$ (0.40)	$ (0.38)	$ (0.79)	$ (0.71)
Weighted-average shares (Class A, B and Exchangeable) outstanding, basic and diluted	242,196,409	201,415,475	239,107,879	198,957,804

See the accompanying notes to these condensed consolidated financial statements.

Recursion Pharmaceuticals, Inc.
Condensed Consolidated Statements of Stockholders' Equity (unaudited)
(in thousands, except share amounts)

	Common Stock (Class A, B and Exchangeable)		Additional Paid-in-Capital	Accumulated Deficit	Stockholders' Equity
	Shares	Amount			
Balance as of March 31, 2024	237,508,682	$ 2	$ 1,460,144	$ (1,058,995)	$ 401,151
Net loss	—	—	—	(97,540)	(97,540)
Stock option exercises and other	2,820,506	—	2,767	—	2,767
Stock-based compensation	—	—	16,524	—	16,524
Common stock sales issuances, net of issuance costs	40,639,088	1	261,546	—	261,547
Balance as of June 30, 2024	280,968,276	$ 3	$ 1,740,981	$ (1,156,535)	$ 584,449

	Common Stock (Class A, B and Exchangeable)		Additional Paid-in-Capital	Accumulated Deficit	Stockholders' Equity
	Shares	Amount			
Balance as of December 31, 2023	234,270,384	$ 2	$ 1,431,056	$ (967,622)	$ 463,436
Net loss	—	—	—	(188,913)	(188,913)
Stock option exercises and other	5,137,589	—	4,855	—	4,855
Stock-based compensation	—	—	32,651	—	32,651
Common stock sales issuances, net of issuance costs	41,560,303	1	272,419	—	272,420
Balance as of June 30, 2024	280,968,276	$ 3	$ 1,740,981	$ (1,156,535)	$ 584,449

See the accompanying notes to these condensed consolidated financial statements.

Recursion Pharmaceuticals, Inc.
Condensed Consolidated Statements of Stockholders' Equity (unaudited)
(in thousands, except share amounts)

	Common Stock (Class A, B and Exchangeable)		Additional Paid-in-Capital	Accumulated Deficit	Stockholders' Equity
	Shares	Amount			
Balance as of March 31, 2023	192,230,854	$ 2	$ 1,135,056	$ (704,883)	$ 430,175
Net loss	—	—	—	(76,726)	(76,726)
Stock option exercises and other	2,394,131	—	4,912	—	4,912
Stock-based compensation	—	—	11,811	—	11,811
Common stock sales issuances, net of issuance costs	12,112,347	—	98,791	—	98,791
Balance as of June 30, 2023	206,737,332	$ 2	$ 1,250,570	$ (781,609)	$ 468,963

	Common Stock (Class A, B and Exchangeable)		Additional Paid-in-Capital	Accumulated Deficit	Stockholders' Equity
	Shares	Amount			
Balance as of December 31, 2022	191,022,864	$ 2	$ 1,125,360	$ (639,556)	$ 485,806
Net loss	—	—	—	(142,053)	(142,053)
Stock option exercises and other	3,602,121	—	5,794	—	5,794
Stock-based compensation	—	—	20,625	—	20,625
Common stock sales issuances, net of issuance costs	12,112,347	—	98,791	—	98,791
Balance as of June 30, 2023	206,737,332	$ 2	$ 1,250,570	$ (781,609)	$ 468,963

See the accompanying notes to these condensed consolidated financial statements.

Recursion Pharmaceuticals, Inc.
Condensed Consolidated Statements of Cash Flows (unaudited)
(in thousands)

	Six months ended June 30,	
	2024	**2023**
Cash flows from operating activities		
Net loss	$ (188,913)	$ (142,053)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	16,345	9,271
Stock-based compensation	32,651	20,625
Asset impairment	108	1,169
Lease expense	5,575	3,991
Other, net	(3,570)	739
Changes in operating assets and liabilities:		
Other receivables and assets	(304)	(1,131)
Unearned revenue	(26,291)	(23,200)
Accounts payable	(174)	(2,856)
Accrued development expense	(2,178)	1,747
Accrued expenses and other current liabilities	(11,350)	(3,643)
Operating lease liabilities	(6,418)	(5,442)
Net cash used in operating activities	(184,519)	(140,783)
Cash flows from investing activities		
Net cash and restricted cash acquired in the acquisition of a business	—	1,915
Purchases of property and equipment	(7,835)	(9,143)
Purchase of an intangible asset	(3,000)	(165)
Net cash used in investing activities	(10,835)	(7,393)
Cash flows from financing activities		
Proceeds from issuance of common shares, net of issuance costs	272,419	—
Proceeds from equity incentive plans	4,652	5,757
Repayment of long-term debt	(52)	(48)
Net cash provided by financing activities	277,019	5,709
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(337)	179
Net change in cash, cash equivalents and restricted cash	81,328	(142,288)
Cash, cash equivalents and restricted cash, beginning of period	401,425	559,112
Cash, cash equivalents and restricted cash, end of period	$ 482,753	$ 416,824
Supplemental schedule of non-cash investing and financing activities		
Issuance of shares for the acquisitions of businesses	$ —	$ 98,791
Accrued property and equipment	549	6
Financed equipment purchase	—	1,214
Purchase of an intangible asset	6,000	—

See the accompanying notes to these condensed consolidated financial statements.

Recursion Pharmaceuticals, Inc.
Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1. Description of the Business

Recursion is a clinical stage TechBio company decoding biology to industrialize drug discovery. The Recursion Operating System (OS), a platform built across diverse technologies, enables the Company to map and navigate trillions of biological and chemical relationships within the Recursion Data Universe, one of the world's largest proprietary biological and chemical datasets. The Company integrates physical and digital components as iterative loops of atoms and bits scaling wet lab biology and chemistry data organized into virtuous cycles with computational tools to rapidly translate *in silico* hypotheses into validated insights and novel chemistry.

As of June 30, 2024, the Company had an accumulated deficit of $1.2 billion. The Company expects to incur substantial operating losses in future periods and will require additional capital to advance its drug candidates. The Company does not expect to generate significant revenue until the Company successfully completes significant drug development milestones with its subsidiaries or in collaboration with third parties, which the Company expects will take a number of years. In order to commercialize its drug candidates, the Company or its partners need to complete clinical development and comply with comprehensive regulatory requirements. The Company is subject to a number of risks and uncertainties similar to those of other companies of the same size within the biotechnology industry, such as the uncertainty of clinical trial outcomes, uncertainty of additional funding and a history of operating losses.

The Company has funded its operations to date primarily through the issuance of Class A common stock (see Note 8, "Common Stock" for additional details). Additionally, the Company has received payments from its strategic partnerships (see Note 9, "Collaborative Development Contracts" for additional details). Recursion will likely be required to raise additional capital. As of June 30, 2024, the Company did not have any unconditional outstanding commitments for additional funding. If the Company is unable to access additional funds when needed, it may not be able to continue the development of its products or the Company could be required to delay, scale back or abandon some or all of its development programs and other operations. The Company's ability to access capital when needed is not assured and, if not achieved on a timely basis, could materially harm its business, financial condition and results of operations.

Recursion believes that the Company's existing cash and cash equivalents will be sufficient to fund the Company's operating expenses and capital expenditures for at least the next 12 months.

Note 2. Basis of Presentation

Basis of Presentation

The unaudited interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (SEC). Accordingly, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP) have been condensed or omitted. These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes for the year ended December 31, 2023.

It is management's opinion that these condensed consolidated financial statements include all normal and recurring adjustments necessary for a fair statement of the financial position, results of operations and cash flows for the periods presented. Revenue and net loss for any interim period are not necessarily indicative of future or annual results.

Recent Accounting Pronouncements

In March 2024, the SEC issued rule 33-11275, *The Enhancement and Standardization of Climate-Related Disclosures for Investors*. The new rule requires Recursion to provide certain disclosures in the footnotes to the financial statements of climate-related information. These disclosures include the impact of severe weather and other natural conditions on the Company's consolidated balance sheet and statement of operations, to the extent they are material. Recursion will also need to disclose a rollforward of the beginning and ending balances of its

carbon offsets and renewable energy credits or certificates (RECs), if they are a material component of meeting the Company's climate-related targets and goals. Additionally, the Company will need to disclose whether and, if so, how severe weather events and other natural conditions and disclosed climate-related targets or transition plans materially affected estimates and assumptions in the financial statements.

The final rule's effective dates, if adopted, will be phased in depending on the disclosure requirement starting the annual period ending December 31, 2025. In April 2024, the SEC voluntarily stayed implementation of the new climate-related disclosure requirements pending judicial review. The Company is currently evaluating the impact this rule will have on its consolidated financial statements and related disclosures.

In December 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2023-9, *Income Taxes (Topic 740)*. The new standard updates disclosure requirements for Accounting Standards Codification (ASC) 740 primarily by requiring additional information in the income tax rate reconciliation and additional disclosures about income taxes paid. This standard will be effective for Recursion starting the annual period ending December 31, 2025. Early adoption is permitted for annual financial statements that have not yet been issued. The amendments can be applied on a prospective or retrospective basis. The adoption of this standard will not impact Recursion's consolidated balance sheet and statement of operations.

In November 2023, the FASB issued ASU No. 2023-7, *Segment Reporting (Topic 280)*. The standard requires new disclosures related to ASC 280 including: disclosing significant segment expenses by category; requiring all the ASC 280 disclosures for companies with a single reportable segment and; requiring ASC 280 disclosures for interim financial statements. Recursion must apply the amendments retrospectively to each prior reporting period presented. This standard will be effective for Recursion starting the annual period ending December 31, 2024. Early adoption is permitted. The adoption of this standard will not impact Recursion's consolidated balance sheet and statement of operations.

Note 3. Supplemental Financial Information

Tempus agreement

In November 2023, Recursion entered into a five-year agreement with Tempus Labs, Inc. (Tempus) to purchase access to their records of patient-centric multimodal oncology data and use rights for therapeutic development purposes. This data will be used to improve the training of Recursion's artificial intelligence and machine learning models and is expected to accelerate Recursion's drug discovery process. Recursion is making annual payments, ranging between $22.0 million and $42.0 million, up to $160.0 million in aggregate, to Tempus in cash or equity at the Company's option. The equity value is determined by using the seven-trading day period dollar volume-weighted average price (VWAP) for Recursion Class A common stock ending on the day immediately preceding the date that is five business days prior to the payment date.

Recursion is expensing the record purchases based on a contractually agreed price as "Research and Development" expenses in the Condensed Consolidated Statements of Operations as the records are downloaded. To the extent that the Recursion payments to Tempus are greater than or less than the records purchased amount, Recursion records the applicable amount to "Other Current Assets" or "Accrued Expenses and Other Liabilities" on the Condensed Consolidated Balance Sheet, respectively. As of June 30, 2024, Recursion had recorded $13.1 million within "Other Current Assets" on the Consolidated Balance Sheet related to the Tempus agreement.

Property and Equipment, net

(in thousands)	June 30, 2024	December 31, 2023
Lab equipment	$ 61,138	$ 60,096
Leasehold improvements	46,776	45,929
Office equipment	25,370	22,126
Construction in progress	2,796	3,231
Property and equipment, gross	136,080	131,382
Less: Accumulated depreciation	(52,447)	(44,872)
Property and equipment, net	$ 83,633	$ 86,510

Depreciation expense on property and equipment was $4.1 million and $8.1 million during the three and six months ended June 30, 2024, respectively, and $4.0 million and $7.5 million during the three and six months ended June 30, 2023, respectively. The Company recorded an insignificant impairment and an impairment of $1.2 million during the six months ended June 30, 2024 and 2023, respectively, related to construction projects for leasehold improvements as the Company no longer intended to use them. The impairments were recorded in "General and Administrative" in the Condensed Consolidated Statements of Operations.

Accrued Expenses and Other Liabilities

(in thousands)	June 30, 2024	December 31, 2023
Accrued compensation	$ 13,119	$ 22,888
Accrued development expenses	3,899	6,077
Accrued early discovery expenses	3,730	2,570
Accrued construction	—	2,439
Accrued data	3,000	—
Materials received not invoiced	1,920	2,432
Accrued other expenses	7,733	10,229
Accrued expense and other liabilities	$ 33,401	$ 46,635

Interest Income, net

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	2024	2023	2024	2023
Interest income	$ 3,266	$ 4,957	$ 7,313	$ 9,617
Interest expense	(394)	(26)	(414)	(45)
Interest income, net	$ 2,872	$ 4,931	$ 6,899	$ 9,572

For the three and six months ended June 30, 2024 and 2023, interest income primarily related to earnings on cash and cash equivalents in money market funds. Interest expense primarily related to the Company's supercomputer financing lease. Interest income, net was included in "Other income, net" on the Condensed Consolidated Statements of Operations.

Note 4. Acquisitions

Valence Discovery Inc.

On May 16, 2023, Recursion acquired all of the outstanding equity interests in Valence Discovery Inc. (Valence), a privately-held machine learning (ML) / artificial intelligence (AI) digital chemistry company. The integration of Valence's AI-based chemistry engine into Recursion's operating system will allow Recursion to expand its technology-enabled drug discovery process. This will accelerate Recursion's digital chemistry capabilities and its drug discovery process.

The acquisition of Valence was accounted for as a business combination using the acquisition method of accounting. The aggregate upfront consideration for the acquisition of Valence consisted of 2.2 million shares of Recursion Class A common stock, 4.4 million shares of a subsidiary of Recursion, exchangeable for shares of Recursion's Class A common stock, 792 thousand shares issuable upon exercise of stock options held by Valence equity award holders and deferred liabilities for additional consideration.

The following table summarizes total consideration:

(in thousands)		
Fair value of Recursion Class A common stock	$	11,096
Fair value of Exchangeable stock		22,473
Fair value of equity awards issued to Valance equity award holders		1,933
Deferred liabilities for additional consideration		396
Total consideration	$	35,898

The following table summarizes the fair value of assets acquired and liabilities assumed as of the acquisition date:

(in thousands)		
Cash	$	4,235
Other receivables		536
Intangible asset - technology		15,000
Accounts payable and accrued liabilities		(872)
Deferred income taxes		(3,265)
Total identifiable net assets		15,634
Goodwill		20,264
Total assets acquired and liabilities assumed	$	35,898

The intangible asset is related to Valence's ML and AI digital chemistry platform. The estimated fair value of the intangible asset was determined using a cost approach. This valuation technique provides the fair value of an asset based on estimates of the total costs to develop the technology. Significant inputs used to determine the total cost includes the length of time required and service hours performed by Company employees. The technology intangible asset is being amortized on a straight-line basis over its four-year useful life.

Goodwill was calculated as the excess of the consideration transferred over the net assets recognized. The goodwill recognized represents the assembled workforce and expected synergies, including the ability to: (i) leverage Valence's digital chemistry platform across Recursion's business; (ii) leverage Valence's ML and AI capabilities; (iii) integrate Recursion's data and operating system into Valence's platform; and (iv) accelerate Recursion's pipeline. Goodwill was also impacted by the establishment of a deferred tax liability for the acquired identifiable intangible assets which have no tax basis. The goodwill is not deductible for tax purposes.

Recursion's condensed consolidated statement of operations during the six months ended June 30, 2024 included immaterial net revenue and a $5.9 million operating loss associated with Valence's operations. The Company has finalized the amounts recognized disclosed in the above tables.

Cyclica Inc.

On May 25, 2023, Recursion acquired all of the outstanding equity interests in Cyclica Inc. (Cyclica), a privately-held Company that has built a digital chemistry software suite which enables mechanism of action deconvolution and generative chemistry suggestions based on desired targets. Cyclica's platform is expected to enhance the optimization of Recursion's compounds for efficacy while minimizing liabilities through generative machine learning approaches.

The acquisition of Cyclica was accounted for as a business combination using the acquisition method of accounting. The aggregate upfront consideration for the acquisition of Cyclica consisted of 5.8 million shares of Recursion Class A common stock, cash payments, 1.0 million shares issuable upon exercise of stock options held by Cyclica equity award holders and deferred liabilities for additional consideration. Approximately 172 thousand of the aforementioned shares of Class A common stock consideration had not yet been issued as of June 30, 2024.

The following table summarizes total consideration:

(in thousands)		
Fair value of Recursion Class A common stock	$	49,915
Cash		6,505
Fair value of equity awards issued to Cyclica equity award holders		3,852
Deferred liabilities for additional consideration		344
Total consideration	$	60,617

The following table summarizes the fair value of assets acquired and liabilities assumed as of the acquisition date:

(in thousands)		
Cash	$	2,429
Restricted cash		1,685
Other receivables		741
Investments		1,000
Other current assets		385
Intangible assets - technology		28,000
Accounts payable and accrued liabilities		(579)
Unearned revenue		(1,754)
Deferred income taxes		(2,075)
Other liabilities, current		(66)
Other liabilities, non-current		(139)
Total identifiable net assets		29,627
Goodwill		30,990
Total assets acquired and liabilities assumed	$	60,617

The intangible assets are related to Cyclica's digital chemistry platforms. The estimated fair value of the intangible assets were determined using a cost approach. This valuation technique provides the fair value of an asset based on estimates of the total costs to develop the technology. Significant inputs used to determine the total cost includes the length of time required and service hours performed by Company employees. The technology intangible assets are being amortized on a straight-line basis over their three-year useful lives.

Goodwill was calculated as the excess of the consideration transferred over the net assets recognized. The goodwill recognized represents the assembled workforce and expected synergies, including the ability to: (i) leverage Cyclica's digital chemistry platform across Recursion's business; (ii) leverage Cyclica's ML and AI capabilities; (iii)

integrate Recursion's data and operating system into Cyclica's platform; and (iv) accelerate Recursion's pipeline. Goodwill was also impacted by the establishment of a deferred tax liability for the acquired identifiable intangible assets. The goodwill is not deductible for tax purposes.

Recursion's condensed consolidated statement of operations during the six months ended June 30, 2024 included immaterial net revenue and a $7.4 million operating loss associated with Cyclica's operations. The Company has finalized the amounts recognized disclosed in the above tables.

Pro forma financial information

The following table presents the unaudited pro forma combined results of operations of Recursion, Valence and Cyclica as if the acquisitions had occurred on January 1, 2022:

(in thousands)	Three months ended June 30, 2023	Six Months Ended June 30, 2023
Net revenue	$ 11,258	$ 23,437
Net loss	(79,586)	(153,037)

The unaudited pro forma financial information was prepared using the acquisition method of accounting and was based on the historical financial information of Recursion, Valence and Cyclica. In order to reflect the occurrence of the acquisitions on January 1, 2022 as required, the unaudited pro forma financial information includes adjustments to reflect the incremental amortization expense to be incurred based on the fair values of the identifiable intangible assets acquired and the additional stock compensation expense associated with the issuance of equity compensation related to the acquisitions. The unaudited pro forma financial information is not necessarily indicative of what the consolidated results of operations would have been had the acquisitions been completed on January 1, 2022. In addition, the unaudited pro forma financial information is not a projection of the future results of operations of the combined company nor does it reflect the expected realization of any cost savings or synergies associated with the acquisitions.

Note 5. Leases

The Company has entered into various long-term real estate operating leases primarily related to office, research and development and operating activities and a long-term equipment financing lease related to the supercomputer for research and development activities. The Company's leases have remaining terms from under 1 year to 8 years and some of those leases include options that provide Recursion with the ability to extend the lease term, generally for five years. The options are included in the lease term when it is reasonably certain that the option will be exercised.

For the six months ended June 30, 2024 and 2023, Recursion entered into lease modifications resulting in a decrease to the right-of-use asset and lease liability of $3.1 million and an increase to the right-of-use asset and lease liability of $3.4 million, respectively. The modifications had no impact to the Condensed Consolidated Statements of Operations.

In May 2024, the Company entered into a financing lease agreement for the supercomputer equipment (the "Supercomputer Lease"). The right of use began May 2024 when control of the asset was obtained and the lease term is 3 years with two additional renewal options for a one-year or two-year period. Total fixed payments are expected to be approximately $34.0 million.

In February 2024, the Company entered into an operating lease agreement related to the supercomputer for the exclusive use of physical space in a data center of approximately 1,851 square feet (the "Data Center Lease"). The right of use began in April 2024 and lease term is 5 years with a five-year renewal option. The lease includes provisions for escalating rent payments. Total fixed lease payments are expected to be approximately $13.0 million with additional variable expenses, including utilities and tax expenses.

In January 2024, the Company entered into an operating lease agreement for office space in London, England with approximately 6,792 square feet (the "London Lease"). The right of use began January 2024 when control of the

asset was obtained. The London Lease term is 5 years with a five-year renewal option. The London Lease includes provisions for escalating rent payments. Total fixed payments are expected to be approximately $7.9 million, additionally there will be variable expenses including building service charges related to the lease.

The components of the lease cost were:

	Three months ended June 30,		Six months ended June 30, 2024	
(in thousands)	2024	2023	2024	2023
Operating lease cost	$ 3,109	$ 2,020	$ 5,582	$ 4,018
Finance lease cost:				
Amortization of leased assets	985	—	985	—
Interest on lease liabilities	376	—	376	—
Variable lease cost	697	499	1,235	1,157
Short-term lease cost	42	41	82	41
Total lease cost	$ 5,209	$ 2,560	$ 8,260	$ 5,216

Supplemental balance sheet information related to leases were:

(in thousands)	June 30, 2024	December 31, 2023
Assets		
Operating lease right-of-use assets	$ 44,088	$ 33,663
Financing lease right-of-use assets	28,562	—
Total lease right-of-use assets	$ 72,649	$ 33,663
Liabilities		
Current liabilities		
Notes payable and financing lease liabilities	$ 8,045	$ —
Operating lease liabilities	8,607	6,116
Total current lease liabilities	16,652	6,116
Non-current liabilities		
Notes payable and financing lease liabilities, non-current	21,878	—
Operating lease liabilities, non-current	50,239	43,414
Total non-current lease liabilities	72,117	43,414
Total lease liabilities	$ 88,769	$ 49,530

Supplemental cash flow information related to leases were:

(in thousands)	Six months ended June 30, 2024	2023
Cash paid for amount included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 6,579	$ 5,442
Operating cash flows from financing leases	—	—
Financing cash flows from financing leases	—	—
Right-of-use assets additions and modifications:		
Operating leases	$ 13,738	$ 4,160
Financing leases	29,547	—

Lease term and discount rates as of June 30, 2024 were:

(in thousands)	June 30, 2024
Operating leases	
Weighted-average remaining lease term (years)	5.9
Weighted-average discount rate	7.8 %
Finance leases	
Weighted-average remaining lease term (years)	3.0
Weighted-average discount rate	7.6 %

Maturities of lease liabilities as of June 30, 2024 were:

(in thousands)	Operating leases	Finance leases
Remainder of 2024	$ 6,535	$ 5,024
2025	13,251	10,048
2026	13,499	10,048
2027	13,938	8,882
2028	11,174	—
Thereafter	17,607	—
Total lease payments	76,004	34,002
Less amounts representing interest or imputed interest	(17,158)	(4,079)
Present value of lease liabilities	$ 58,846	$ 29,923

Note 6. Goodwill and Intangible Assets

Goodwill

There were no changes to the carrying amount of goodwill during the three and six months ended June 30, 2024. There were additions of $51.3 million to the carrying amount of goodwill related to the acquisition of Cyclica and Valence during the three and six months ended June 30, 2023. No goodwill impairment was recorded during the three and six months ended June 30, 2024 and 2023.

Intangible Assets, Net

The following table summarizes intangible assets:

(in thousands)	June 30, 2024			December 31, 2023		
	Gross carrying amount	Accumulated Amortization	Net carrying amount	Gross carrying amount	Accumulated Amortization	Net carrying amount
Definite-lived technology intangible assets	$ 44,076	$ (15,440)	$ 28,636	$ 44,076	$ (8,882)	$ 35,194
Definite-lived licensed intangible assets	9,350	(762)	8,588	350	(87)	263
Indefinite-lived intangible assets	986	—	986	986	—	986
Intangible assets, net	$ 54,412	$ (16,202)	$ 38,210	$ 45,412	$ (8,969)	$ 36,443

Amortization expense was $3.9 million and $7.2 million during the three and six months ended June 30, 2024, respectively. Amortization expense was $1.6 million and $1.7 million during the three and six months ended June 30, 2023, respectively. Amortization expense was included in “Research and Development” in the Condensed Consolidated Statements of Operations. No indefinite-lived intangible asset impairment charges were recorded during the three and six months ended June 30, 2024 and 2023.

For the six months ended June 30, 2024, the Company entered into a 3-year licensing agreement with Helix for access to their patient data and use rights for therapeutics development purposes. This data will be used to improve the training of Recursion’s artificial intelligence and machine learning models and is expected to accelerate Recursion’s drug discovery process. Recursion is making annual payments of $3.0 million for a total of $9.0 million, which was recorded in “Intangible Assets, net” on the Condensed Consolidated Balance Sheet and included as a licensed intangible asset in the above table. Recursion made the first payment during the six months ended June 30, 2024 and recorded the two remaining $3.0 million payments in “Accrued Expenses and Other Liabilities” and “Accrued Other, Non-current” on the Condensed Consolidated Balance Sheet, respectively. The licensed intangible asset is being amortized on a straight-line basis over its three-year useful life.

Note 7. Commitments and Contingencies

Contract Obligations

In the normal course of business, the Company enters into contracts with clinical research organizations, drug manufacturers and other vendors for preclinical and clinical research studies, research and development supplies and other services and products for operating purposes. These contracts generally provide for termination on notice and are cancellable contracts.

Indemnification

The Company has agreed to indemnify its officers and directors for certain events or occurrences, while the officer or director is or was serving at the Company’s request in such capacity. The Company purchases directors and officers liability insurance coverage that provides for reimbursement to the Company for covered obligations and this is intended to limit the Company’s exposure and enable it to recover a portion of any amounts it pays under its indemnification obligations. The Company had no liabilities recorded for these agreements as of June 30, 2024 and December 31, 2023, as no amounts were probable.

Employee Agreements

The Company has signed employment agreements with certain key employees pursuant to which, if their employment is terminated following a change of control of the Company, the employees are entitled to receive certain benefits, including accelerated vesting of equity incentives.

Legal Matters

The Company may, from time to time, be involved in various legal proceedings arising in the normal course of business. An unfavorable resolution of any such matter could materially affect the Company's future financial position, results of operations or cash flows.

In February 2021, the Company entered into a lease agreement for laboratory and office space (the Industry Lease) with Industry Office SLC, LLC (the landlord). In March 2023, the Company sent a letter to the landlord detailing numerous construction delays and irregularities, deficiencies and deviations from applicable structural drawings and/or non-conforming conditions with applicable building codes. On June 23, 2023, the landlord filed a lawsuit against the Company (*Industry Office SLC, LLC v. Recursion Pharmaceuticals, Inc.*, Case No. 230904627) in the Third District Court for Salt Lake County, State of Utah (the Court), alleging anticipatory repudiation and breach of contract. The Plaintiff seeks monetary damages and attorney's fees. As of June 30, 2024, the Company had no liability recorded for these events as an unfavorable outcome was not probable.

In connection with the Industry Lease, in September 2023, the Company filed claims in the Court against the landlord alleging, among other things, breach of contract and fraudulent misrepresentation (the Counterclaims). In October 2023, the landlord filed an answer and denied the Company's allegations asserted in the Counterclaims. The Company and the landlord are currently engaged in discovery. The Company is unable to estimate the possible amount or range of amounts associated with the Counterclaims.

Pledged Assets

As of June 30, 2024, assets pledged as collateral against finance leases totaled $27.0 million. Assets pledged as collateral are Lab Equipment reported in "Property and Equipment, net" on the Condensed Consolidated Balance Sheet. As of June 30, 2024, the liabilities associated with collateral pledged were solely comprised of a finance lease and had a carrying value of $29.9 million. The collateral pledged under the lease agreement may only be operated by the Company within the continental United States and must maintain a good title. The assets cannot be sold, disposed of or repledged by the Company.

Note 8. Common Stock

Each share of Class A common stock entitles the holder to one vote per share and each share of Class B common stock entitles the holder to 10 votes per share on all matters submitted to a vote of the Company's stockholders. Common stockholders are entitled to receive dividends, as may be declared by the Company's Board of Directors. As of June 30, 2024 and December 31, 2023, no dividends had been declared.

Public Offering of Common Stock

On June 28, 2024, the Company closed its public offering of Class A common stock and issued 35.4 million shares at a price of $6.50 per share for net proceeds of approximately $216.4 million, after deducting transaction costs of $13.6 million. In connection with the public offering of Class A common stock, the Company entered into an underwriting agreement for the offering and sale of 30.8 million shares. The Company also granted the Underwriters a 30-day option from the date of the underwriting agreement to purchase up to an additional 4.6 million shares of Class A Common Stock, which was exercised in full. The public offering was made pursuant to the Company's effective registration statement on Form S-3 (File No. 333-264845) and a related prospectus supplement and accompanying prospectus dated June 26, 2024.

At-The-Market Offering

In August 2023, the Company entered into an Open Market Sales Agreement (the "Sales Agreement") with Jefferies LLC (the "Sales Agent"), to provide for the offering, issuance and sale of up to an aggregate amount of $300.0 million of its Class A common stock from time to time in "at-the-market" (ATM) offerings. As of June 30, 2024, an amount of $161.6 million remained available for future sales under the Sales Agreement. For the six months ended June 30, 2024, the Company has sold 5.9 million shares and received net proceeds of $56.0 million under the agreement. Recursion is not required to sell additional shares under the Sales Agreement. The Company will pay the Sales Agent a commission of up to 3% of the aggregate gross proceeds received from all sales of Class A common stock. The Sales Agreement continues until the earlier of selling all shares available under the Sales

Agreement or terminated by written notice from either of the parties. The ATM Offering is being made under a prospectus supplement dated August 8, 2023, and related prospectus filed with the Securities and Exchange Commission pursuant to our automatically effective shelf registration statement on Form S-3ASR (Registration No. 333-264845).

NVIDIA Private Placement

In July 2023, Recursion entered into a Stock Purchase Agreement for a private placement with NVIDIA Corporation (2023 Private Placement), pursuant to which the Company sold an aggregate of 7.7 million shares of the Company's Class A common stock at a price of $6.49 per share for net proceeds of approximately $49.9 million.

Valence Acquisition Exchangeable Shares

In May 2023, in connection with the acquisition of Valence, the Company entered into an agreement to issue up to 5.9 million shares of Class A common stock (the "Exchangeable Shares"), that may be issued upon exchange, retraction or redemption of exchangeable shares of a subsidiary of Recursion. Each exchangeable share of the subsidiary of Recursion entitles the holder to exchange those shares on a one-for-one basis for Recursion's Class A common stock. The shares are entitled to receive dividends economically equivalent to dividends declared by Recursion, are non-voting and are subject to customary adjustments for stock splits or other reorganizations. In addition, the Company may require all outstanding exchangeable shares to be exchanged into an equal number of Class A common stock upon the occurrence of certain events and at any time following the seventh anniversary of the closing of the Valence acquisition. The exchangeable shares are substantially the economic equivalent of the Class A shares and classified as common stock within the Company's stockholders' equity. The Company's calculation of weighted-average shares outstanding includes the exchangeable shares. As of June 30, 2024, 4.8 million Exchangeable shares have been redeemed for Class A shares.

Registration Rights Agreements

Tempus agreement
In November 2023, in connection with the Tempus Agreement, the Company agreed to prepare and file a registration statement (or a prospectus supplement to an effective registration statement on Form S-3ASR that will become automatically effective upon filing with the SEC pursuant to Rule 462(e)) with the SEC, for resale of the shares of Class A common stock issued or issuable under the Tempus Agreement. A prospectus supplement to a registration statement (File No. 333-264845) was subsequently filed in December 2023 to register shares issued to Tempus for the initial license fee under the Tempus Agreement for resale.

After registration of any shares issued to Tempus under the Tempus Agreement, the Company has agreed to use commercially reasonable efforts to keep such registration statement effective until such date that all shares issued to Tempus covered by such registration statement have been sold or are able to be publicly sold by relying on Rule 144 of the Securities Act without registration.

NVIDIA Private Placement
In July 2023, in connection with the 2023 Private Placement with NVIDIA, the Company entered into a Registration Rights Agreement providing for the registration for resale of the shares of Class A common stock issued in such transaction. A prospectus supplement to a registration statement (File No. 333-264845) was subsequently filed in August 2023 to register the resale of the shares of Class A common stock issued to NVIDIA. The Company has agreed to use commercially reasonable efforts to keep the registration statement continuously effective until such date that all registrable securities under the agreement have been sold. In the event the holders cannot sell their shares due to certain circumstances causing the registration statement to be ineffective, the Company must pay each holder of shares outstanding on the date and each month thereafter 1% of the aggregate purchase price with the maximum payable amount of 5% of the aggregate purchase price. As of June 30, 2024, there was no accrued liability related to this agreement, as it was not probable that a payment would be required.

Acquisitions
In May 2023, in connection with the acquisition of Valence, the Company entered into a Registration Agreement providing for the registration for resale of the shares of Class A common stock and Exchange Shares issued or issuable in such transaction. A registration statement on Form S-3ASR (File No. 333-272281) was filed to register

the shares for resale by the holders. The registration statement must remain effective for a period of not less than three years.

In May 2023, in connection with the acquisition of Cyclica, the Company entered into a Registration Agreement providing for the registration for resale of the shares of Class A common stock issued in such transaction. A prospectus supplement to a registration statement (File No. 333-264845) was subsequently filed in June 2023 to register the shares for resale by the holders. The registration agreement must be continuously effective until the earlier of the date that all shares have been sold thereunder or are able to be publicly sold by relying on Rule 144 of the Securities Act without registration.

2022 Private Placement
In October 2022, in connection with the 2022 Private Placement, the Company entered into a Registration Rights Agreement providing for the registration for resale of the shares of Class A common stock issued in such transaction. A prospectus supplement to a registration statement (File No. 333-264845) was subsequently filed in October 2022 to register the resale of the shares of Class A common stock by the Purchasers. The agreement must remain effective until registrable securities covered by the agreement have been publicly sold by the holders or all shares cease to be registrable securities. In the event the holders cannot sell their shares due to certain circumstances causing the agreement to be ineffective, the Company must pay each holder of shares outstanding on the date and each month thereafter 1.0% of the aggregate purchase price paid by the holder without limit until the agreement is cured. As of June 30, 2024, there was no accrued liability related to this agreement, as it was not probable that a payment would be required.

Class A and B Common Shares Authorization

In April 2021, the Company's Board of Directors authorized two classes of common stock, Class A and Class B. The rights of the holders of Class A and B common stock are identical, except with respect to voting and conversion. Each share of Class A common stock is entitled to one vote per share. Each share of Class B common stock is entitled to 10 votes per share and is convertible at any time into one share of Class A common stock.

All Class B common stock is held by Christopher Gibson, Ph.D., the Company's Chief Executive Officer (CEO), or his affiliates. As of June 30, 2024, Dr. Gibson and his affiliates held outstanding shares of Class B common stock representing approximately 21% of the voting power of the Company's outstanding shares. This voting power may increase over time as Dr. Gibson vests in and exercises equity awards outstanding. If all the exchangeable equity awards held by Dr. Gibson had been fully vested, exercised and exchanged for shares of Class B common stock as of June 30, 2024, Dr. Gibson and his affiliates would hold approximately 22% of the voting power of the Company's outstanding shares. As a result, Dr. Gibson will be able to significantly influence any action requiring the approval of Recursion stockholders, including the election of the Board of Directors; the adoption of amendments to the Company's certificate of incorporation and bylaws; and the approval of any merger, consolidation, sale of all or substantially all of the Company's assets, or other major corporate transaction.

Note 9. Collaborative Development Contracts

Roche and Genentech

Description
In December 2021, Recursion entered into a collaboration and license agreement with Roche and Genentech (collectively referred to as Roche). Recursion is constructing, using the Company's imaging technology and proprietary machine-learning algorithms, unique maps of the inferred relationships amongst perturbation phenotypes in a given cellular context with the goal to discover and develop therapeutic small molecule programs in a gastrointestinal cancer indication and in key areas of neuroscience. Roche and Recursion will collaborate to select certain novel inferences with respect to small molecules or targets generated from the Phenomaps for further validation and optimization as collaboration programs. Roche and Recursion may also combine sequencing datasets from Roche with Recursion's Phenomaps and collaborate to generate new algorithms to produce multi-modal maps from which additional collaboration programs may be initiated. For every collaboration program that successfully identifies potential therapeutic small molecules or validates a target, Roche will have an option to obtain an exclusive license to develop and commercialize such potential therapeutic small molecules or to exploit such target in the applicable exclusive field.

Pricing

In January 2022, Recursion received a $150.0 million non-refundable upfront payment from the Company's collaboration with Roche. Recursion is eligible for additional milestone payments based on performance progress of the collaboration. Each of the Phenomaps requested by Roche and created by Recursion may be subject to either an initiation fee, acceptance fee or both. Such fees could exceed $250.0 million for 16 accepted Phenomaps. In addition, for a period of time after Roche's acceptance of certain Phenomaps, Roche will have the option to obtain, subject to payment of an exercise fee, rights to use outside the collaboration the raw images generated in the course of creating those Phenomaps. If Roche exercises its external use option for all 12 eligible Phenomaps, Roche's associated exercise fee payments to Recursion could exceed $250.0 million. Under the collaboration, Roche may initiate up to 40 programs, each of which, if successfully developed and commercialized, could yield more than $300.0 million in development, commercialization and net revenue milestones for Recursion, as well as tiered royalties on net revenue.

Accounting

This agreement represents a transaction with a customer and therefore is accounted for in accordance with ASC 606. Recursion has determined that it has three performance obligations, one related to gastrointestinal cancer and two in neuroscience. These performance obligations are for performing research and development services for Roche to identify targets and medicines. The performance obligations also include potential licenses related to the intellectual property. The Company concluded that licenses within the contract are not distinct from the research and development services as they are interrelated due to the fact that the research and development services significantly impact the potential licenses. Any additional services are considered customer options and will be considered as separate contracts for accounting purposes.

The Company has determined the transaction price to be $150.0 million, comprised of the upfront payment. Recursion will fully constrain the amounts of variable consideration to be received from potential milestones considering the stage of development and the risks associated with the remaining development required to achieve each milestone. Recursion will re-evaluate the transaction price each reporting period.

The transaction price was allocated to the performance obligations based on the estimated relative stand-alone selling price of each performance obligation as determined using an expected cost plus margin approach. The Company recognizes revenue over time based on costs incurred relative to total expected costs to perform the research and development services. Recursion determined that this method provides a faithful depiction of the transfer of control to the customer. This method of recognizing revenue requires the Company to make estimates of total costs to provide the services required under the performance obligations. Significant inputs used to determine the total costs included the length of time required, service hours performed by Company employees and materials costs. A significant change in these estimates could have a material effect on the timing and amount of revenue recognized in future periods. Recursion has estimated the completion of the performance obligations by 2026.

Additional Revenue Disclosures

Of the revenue recognized during the three and six months ended June 30, 2024, $11.3 million and $25.0 million was included in the unearned revenue balance as of December 31, 2023, respectively. Primarily all revenue recognized during the three and six months ended June 30, 2023 was included in the unearned revenue balance as of December 31, 2022. Revenue recognized was from upfront payments received at the inception of the related contracts, which decreased the initial unearned revenue recognized. As of June 30, 2024, the Company had $7.5 million of costs incurred to fulfill a contract on its Condensed Consolidated Balance Sheet within "Other Current Assets."

Unearned revenue was classified as short-term and long-term on the Condensed Consolidated Balance Sheets based on the Company's estimate of revenue that will be recognized during the next twelve months.

Note 10. Stock-Based Compensation

In April 2021, the Board of Directors and the stockholders of the Company adopted the 2021 Equity Incentive Plan (the 2021 Plan). The Company may grant stock options, restricted stock units (RSUs), stock appreciation rights, restricted stock awards and other forms of stock-based compensation. As of June 30, 2024, 14.1 million shares of Class A common stock were available for grant.

The following table presents the classification of stock-based compensation expense for employees and non-employees within the Condensed Consolidated Statements of Operations:

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	2024	2023	2024	2023
Cost of revenue	$ 680	$ 1,415	$ 1,447	$ 2,426
Research and development	8,281	4,329	15,947	7,012
General and administrative	6,997	5,643	14,074	10,221
Total	$ 15,958	$ 11,387	$ 31,468	$ 19,659

Stock Options

Stock options are primarily granted to executive leaders at the Company, generally vest over four years and expire no later than 10 years from the date of grant.

Stock option activity during the six months ended June 30, 2024 was as follows:

(in thousands except share data and per share amounts)	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2023	14,957,617	$ 6.13	7.0	$ 72,416
Granted	2,689,067	10.02		
Cancelled	377,538	11.89		
Exercised	1,852,880	2.71		15,114
Outstanding as of June 30, 2024	15,416,266	$ 7.13	7.1	$ 37,638
Exercisable as of June 30, 2024	9,505,438	$ 5.87	6.2	$ 34,178

The fair value of options granted to employees is calculated on the grant date using the Black-Scholes option valuation model. The weighted-average grant-date fair values of stock options granted during the six months ended June 30, 2024 and 2023 were $6.35 and $5.55, respectively.

The following weighted-average assumptions were used to calculate the grant-date fair value of stock options:

	Six months ended June 30,	
	2024	2023
Expected term (in years)	6.2	5.8
Expected volatility	65 %	66 %
Expected dividend yield	—	—
Risk-free interest rate	4.3 %	3.6 %

As of June 30, 2024, $38.8 million of unrecognized compensation cost related to stock options is expected to be recognized as expense over approximately the next two years.

RSUs

Equity awards granted to employees primarily consist of RSUs and generally vest over four years. The weighted-average grant-date fair value of RSUs generally is determined based on the number of units granted and the quoted price of Recursion's common stock on the date of grant.

The following table summarizes Recursion's RSU activity during the six months ended June 30, 2024:

	Stock units	Weighted-average grant date fair value
Outstanding as of December 31, 2023	15,223,764	$ 8.39
Granted	7,380,219	8.85
Vested	2,276,563	8.56
Forfeited	915,080	8.47
Outstanding as of June 30, 2024	19,412,340	$ 8.54

The fair market value of RSUs vested was $25.5 million during the six months ended June 30, 2024. As of June 30, 2024, $155.3 million of unrecognized compensation cost related to RSUs is expected to be recognized as expense over approximately the next three years.

Note 11. Income Taxes

The Company did not record any U.S. income tax expense during the three and six months ended June 30, 2024 and 2023. The Company has historically incurred operating losses and maintains a full valuation allowance against its U.S. net deferred tax assets. Foreign taxes were insignificant during the three and six months ended June 30, 2024 and 2023.

Net operating losses (NOLs) and tax credit carry-forwards are subject to review and possible adjustment by the Internal Revenue Service ("IRS") and may become subject to annual limitation due to ownership changes that occur under Section 382 of the Internal Revenue Code, as amended and similar state provisions. These ownership changes may limit the amount of carryforwards that can be utilized annually to offset future taxable income. In general, an ownership change, as defined by Section 382, results from transactions increasing the ownership of certain shareholders or public groups in the stock of a corporation by more than 50% over a three-year period. As of June 30, 2024, the Company was not limited on its NOLs and tax credit carry-forwards. The Company will continue to monitor future ownership changes for potential Section 382 limitations.

Note 12. Net Loss Per Share

For the three and six months ended June 30, 2024 and 2023, Recursion calculated net loss per share of Class A, Class B and the Exchangeable common stock using the two-class method. Basic net loss per share is computed using the weighted-average number of shares outstanding during the period. Diluted net loss per share is computed using the weighted-average number of shares and the effect of potentially dilutive securities outstanding during the period. Potentially dilutive securities consist of stock options and other contingently issuable shares. For periods presented in which the Company reports a net loss, all potentially dilutive shares are anti-dilutive and as such are excluded from the calculation. For the three and six months ended June 30, 2024 and 2023, the Company reported a net loss and therefore basic and diluted loss per share were the same.

The rights, including the liquidation and dividend rights, of the holders of the Company's Class A, Class B and the Exchangeable common stock are identical, except with respect to voting. As a result, the undistributed earnings for each period are allocated based on the contractual participation rights of the Class A, Class B and the Exchangeable common stock as if the earnings for the period had been distributed. As the liquidation and dividend rights are identical, the undistributed earnings are allocated on a proportionate basis and the resulting amount per share for Class A, Class B and the Exchangeable common stock was the same during the three and six months ended June 30, 2024 and 2023.

The following tables set forth the computation of basic and diluted net loss per share of Class A, Class B and Exchangeable common stock:

(in thousands, except share amounts)	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Numerator:				
Net loss	$ (97,540)	$ (76,726)	$ (188,913)	$ (142,053)
Denominator:				
Weighted average common shares outstanding	242,196,409	201,415,475	239,107,879	198,957,804
Net loss per share, basic and diluted	$ (0.40)	$ (0.38)	$ (0.79)	$ (0.71)

The Company excluded the following potential common shares from the computation of diluted net loss per share for the periods indicated because including them would have had an anti-dilutive effect:

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Stock based compensation	7,840,123	7,719,063	9,230,517	7,996,333
Tempus agreement	6,694,934	—	6,694,934	—
Total	14,535,057	7,719,063	15,925,451	7,996,333

Note 13. Fair Value Measurements

The fair value hierarchy consists of the following three levels:

- Level 1 — Valuations based on unadjusted quoted prices in active markets for identical assets that the company has the ability to access;
- Level 2 — Valuations based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuations in which all significant inputs are observable in the market; and
- Level 3 — Valuations using significant inputs that are unobservable in the market and include the use of judgment by the company's management about the assumptions market participants would use in pricing the asset or liability.

The Company is required to maintain a cash balance in a collateralized account to secure the Company's credit cards. Additionally, the Company holds restricted cash related to an outstanding letter of credit issued by J.P. Morgan, which was obtained to secure certain Company obligations relating to tenant improvements.

The following tables summarize the Company's assets and liabilities that are measured at fair value on a recurring basis:

		Basis of fair value measurement		
(in thousands)	June 30, 2024	Level 1	Level 2	Level 3
Assets				
Cash equivalents:				
Money market funds	$ 229,995	$ 229,995	$ —	$ —
Restricted cash	8,412	8,412	—	—
Total assets	$ 238,407	$ 238,407	$ —	$ —

(in thousands)	December 31, 2023	Basis of fair value measurement Level 1	Level 2	Level 3
Assets				
Cash equivalents:				
Money market funds	$ 322,653	$ 322,653	$ —	$ —
Restricted cash	9,860	9,860	—	—
Total assets	$ 332,513	$ 332,513	$ —	$ —

In addition to the financial instruments that are recognized at fair value on the Condensed Consolidated Balance Sheet, the Company has certain financial instruments that are recognized at amortized cost or some basis other than fair value. The carrying amount of these instruments are considered to be representative of their approximate fair values.

The following tables summarize the Company's financial instruments that are not measured at fair value:

(in thousands)	Book values June 30, 2024	Book values December 31, 2023	Fair values June 30, 2024	Fair values December 31, 2023
Liabilities				
Notes payable and financing lease liabilities, current	$ 8,109	$ 41	$ 8,109	$ 41
Notes payable and financing lease liabilities, non-current	22,921	1,101	22,921	1,101
Total liabilities	$ 31,030	$ 1,142	$ 31,030	$ 1,142

Note 14. Subsequent Events

Exscientia Plc

On August 8, 2024, the Company signed an agreement with Exscientia plc ("Exscientia") to acquire all of the outstanding shares of Exscientia in exchange for common shares of the Company (the "Transaction Agreement"). The Transaction Agreement has a fixed exchange ratio whereby each outstanding Exscientia share will be exchanged for 0.7729 common shares of the Company on the closing date. The closing of the transaction will be subject to a shareholder vote by both the Company and Exscientia, regulatory approval, and other closing conditions that are customary for transactions of this nature.

Roche-Genentech Neuromap

On August 6, 2024, Roche-Genentech accepted the first neuroscience Phenomap under the December 2021 collaboration and license agreement which resulted in a $30.0 million milestone payment which is an acceptance fee accounted for as variable consideration under ASC 606. See Note 9, "Collaborative Development Contracts" for additional information on the collaboration with Roche. This milestone payment was fully constrained variable consideration due to the uncertainty of the development. The variable consideration is no longer constrained and will be recognized as "Operating Revenue" in the Condensed Consolidated Statements of Operations as part of the transaction price over the completion period of the neuroscience performance obligation. The amount to be earned over the remaining estimated completion period will be recorded in "Unearned Revenue" and "Unearned Revenue, Non-Current" on the Consolidated Balance Sheet, classified as short-term and long-term based on the Company's estimate of revenue that will be recognized during the next twelve months.

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

The following is a discussion and analysis of the financial condition of Recursion Pharmaceuticals, Inc. (Recursion, the Company, we, us or our) and the results of operations. This commentary should be read in conjunction with the unaudited Condensed Consolidated Financial Statements and accompanying notes appearing in Item 1, "Financial Statements" and the Company's audited consolidated financial statements and accompanying notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the Annual Report on Form 10-K for the year ended December 31, 2023. This discussion, particularly information with respect to our future results of operations or financial condition, business strategy and plans and objectives of management for future operations, includes forward-looking statements that involve risks and uncertainties as described under the heading "Note About Forward-Looking Statements" in this Quarterly Report on Form 10-Q. You should review the disclosure under the heading "Risk Factors" in the Annual Report on Form 10-K for a discussion of important factors that could cause our actual results to differ materially from those anticipated in these forward-looking statements. We assume no obligation to revise or publicly release any revision to any forward-looking statements contained in this Quarterly Report on Form 10-Q, unless required by law.

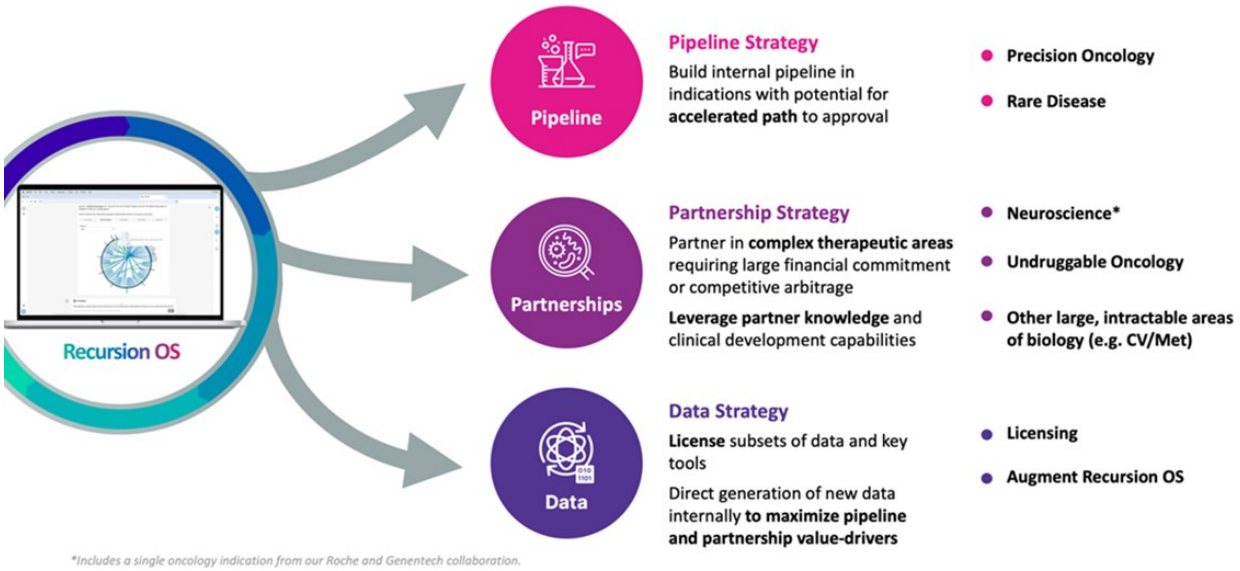
Investors and others should note that we announce material financial and other information to our investors using our investor relations website (https://ir.recursion.com/), SEC filings, press releases, public conference calls and webcasts. We use these channels as well as social media and blogs to communicate with our stakeholders and the public about our company, our services and other issues. It is possible that the information we post on social media and blogs could be deemed to be material information. Therefore, we encourage investors, the media and others interested in our company to review the information we post on the social media channels and blogs listed on our investor relations website. Information contained in, or that can be accessed through, our website is not a part of, and is not incorporated into, this report.

Overview

Recursion is a leading clinical stage TechBio company decoding biology to industrialize drug discovery. Central to our mission is the Recursion Operating System (OS), a platform built across diverse technologies that enables us to map and navigate trillions of biological, chemical and patient-centric relationships across over 50 petabytes of proprietary data. We frame this integration of the physical and digital components as iterative loops, where scaled 'wet-lab' biology, chemistry and patient-centric experimental data are organized by 'dry-lab' computational tools in order to identify, validate and translate therapeutic insights. We believe Recursion's unbiased, data-driven approach to understanding biology will bring more, new and better medicines at higher scale and lower cost to patients.

There are three key value-drivers at Recursion:

- An expansive **pipeline** of internally developed clinical and preclinical programs focused on precision oncology and genetically driven rare diseases with significant unmet need and market opportunities that could potentially exceed $1 billion in annual sales in some cases
- Transformational **partnerships** with leading biopharma and technology companies to map and navigate intractable areas of biology, identify novel targets and develop potential new medicines by using advanced computational and data resources
- An industry-leading **dataset** intentionally designed to capitalize on computational tools and accelerate value created through our pipeline, partnerships and technology products



We drive value by scaling and leveraging the Recursion OS to generate, aggregate and integrate over 50 petabytes of data spanning large language model derived disease relevance and target-compound relationships, predicted protein-ligand binding interactions for ~36 billion compounds, over 250 million total staining and multi-timepoint live-cell (brightfield) phenomics experiments, over 1 million whole transcriptomics experiments, tens of thousands of ADME experiments using our automated DMPK module, InVivomics and multimodal precision oncology patient data. This dataset has been curated using over 50 human cell types, our cell manufacturing facility which has produced over 1 trillion hiPSC-derived neuronal cells since 2022, our in-house chemical library of over 1.7 million compounds, an *in silico* library of over 1 trillion small molecules and other capabilities. We have built proprietary software applications and AI/ML models within the Recursion OS which predict and navigate over 6 trillion biological and chemical relationships. With our approach and our team of over 500 Recursionauts that is balanced between life scientists and computational and technical experts, we endeavor to turn drug discovery into a search problem, where we map and navigate biology in an unbiased manner in order to translate insights into more, new and better medicines at higher scale and lower cost to patients.

	Program	Indication	Target	Preclinical	Phase 1	Phase 2	Phase 3	Anticipated Near-Term Milestones
Rare & Other	REC-994	Cerebral Cavernous Malformation	Superoxide	SYCAMORE				Topline readout Sep. 2024
	REC-2282	Neurofibromatosis Type 2	HDAC	POPLAR				Preliminary readout Q4 2024
	REC-4881	Familial Adenomatous Polyposis	MEK	TUPELO				Preliminary readout H1 2025
	REC-3964	*Clostridioides difficile* Infection	TcdB	ALDER				Ph2 initiation in Q4 2024
	EXS4318	Inflammatory Diseases	PKC-theta			Bristol Myers Squibb		Positive early Ph1 data
	Epsilon	Fibrotic Diseases	Undisclosed					IND submission early 2025
Oncology	REC-4881	Advanced AXIN1/APC-mutant Cancers	MEK					Preliminary readout H1 2025
	EXS617	Advanced Solid Tumours	CDK7	ELUCIDATE				Mono tx dose escalation H2 2024
	REC-1245	Advanced HR-Proficient Cancers	RBM39					IND submission Q3 2024
	EXS74539	AML, SCLC	LSD1					IND submission H2 2024
	EXS73565	Haematological Malignancies	MALT1					IND submission H2 2024

Note: Over a dozen discovery programs in combined pipeline, including ENPP1 inhibitor in collaboration with Rallybio, which is expected to achieve development candidate nomination of a small molecule inhibitor of ENPP1 for the treatment of patients with HPP in the fourth quarter of 2024

Recursion Exscientia

In addition, **4 large strategic collaborations (e.g., Roche, Bayer, Sanofi, Merck KGaA)** with **10 programs already optioned across oncology and immunology**

Summary of Business Highlights

Strategic Rationale for Recursion-Exscientia Combination

- **Pipeline:** We believe that a combination with Exscientia would create a diverse portfolio of clinical and near-clinical programs (approximately 10 clinical readouts in the next 18 months) where most of these programs, if successful, could have annual peak sales opportunities in excess of $1 billion. In addition to Recursion's internal pipeline, Exscientia has wholly-owned oncology programs associated with targets CDK7 (clinical), LSD1, and MALT1 as well as partnered programs associated with targets PKC-Theta (clinical) and ENPP1. Across the combined pipeline there is no competitive overlap, with Recursion's pipeline focusing on first-in-class drug candidates within oncology, rare disease, and infectious disease and Exscientia's focus on best-in-class drug candidates within oncology. Additionally, for both companies there are many research and discovery stage pipeline programs that would benefit from the complementary combination of the two platforms.
- **Partnerships:** The proposed business combination would bring together transformational partnerships with leading large pharma companies with a total of 10 programs already optioned across oncology and immunology. In addition to Recursion's transformational partnerships with Roche-Genentech (neuroscience and a gastrointestinal oncology indication) and Bayer (undruggable oncology), Exscientia has partnerships with Sanofi (oncology and immunology), and Merck KGaA (oncology and immunology). In addition, Exscientia has a partnership with BMS (oncology and immunology) where an optioned program related to PKC-Theta has already shown positive early Phase 1 results. Furthermore, the combined company expects potential additional milestone payments of approximately $200 million over the next 2 years from its current partnerships.
- **Platform:** We believe that a combination with Exscientia will help enable a full-stack technology-enabled platform spanning patient-centric target discovery, structure based drug design including hotspot analysis, quantum mechanics and molecular dynamics modeling, 2D and 3D generative AI design, encode and automate design-make-test-learn cycles with active learning, automated chemical synthesis, predictive ADMET and translation, biomarker selection, clinical development, and more. Furthermore, Exscientia's automated chemistry design and synthesis capabilities are expected to allow Recursion to more rapidly and effectively run SAR cycles during hit to lead and lead optimization, generating the diverse chemistry to experimentally improve the generalizability of our predictive maps of biology and chemistry.
- **Business Synergies:** Together, Recursion and Exscientia held approximately $850 million in cash and cash equivalents at the end of Q2 2024. The combined company is expected to have estimated annual synergies of approximately $100 million or more and the combined business is expected to have a cash runway extending into 2027.
- **Cultural Synergies:** Recursion and Exscientia have been defining and leading the inclusion of technology within the life sciences for over 10 years. There is a shared vision to leverage technology to discover and develop high quality medicines efficiently and at scale.
- **Transaction Details:** Exscientia shareholders will receive 0.7729 shares of Recursion Class A common stock for each Exscientia ordinary share, with fractional shares paid in cash. Recursion shareholders will own approximately 74% of the combined company. Exscientia shareholders will own approximately 26% of the combined company assuming no additional issuance by either company before closing. Recursion will be the go-forward entity. Recursion Co-Founder & CEO Chris Gibson, Ph.D., will be CEO of the combined company. Exscientia Interim CEO David Hallett, Ph.D., plans to join the combined company as Chief Scientific Officer. We expect this transaction to complete in early 2025. The transaction is expected to be taxable to U.S. holders of American Depositary Shares representing ordinary shares of Exscientia.

Partnerships

- **Roche and Genentech:** The goal of the collaboration is to use unimodal and multiomics maps in order to discover and develop potential therapeutic treatments for up to 40 programs in neuroscience and a single indication in gastrointestinal oncology. This recent mapping effort supports the discovery and development of therapeutic programs in neuroscience which is a disease domain characterized by few treatment options and a need for novel biological targets. Recursion and Genentech collaborated to adaptarticulate a hiPSC-derived neuronal cell model for map building, and since 2022, Recursion has built cell manufacturing technologies and produced over 1 trillion hiPSC-derived neuronal cells to enable this effort. We are also building additional maps in other neural cell contexts that will further investigate genome scale genetic and diverse chemical perturbations for use under the collaboration.
- **Bayer:** We continue to advance efforts to discover potential new therapeutics against undruggable oncology targets with Bayer. In June 2024, we announced that the parties have selected the first project under this partnership. In addition, we gave guidance that we expect to complete the delivery of up to 25 multi-modal data packages to Bayer by the end of Q3 2024 to support further project nominations. Moreover, we announced that Bayer would be the first beta-user of LOWE (Recursion's LLM-Orchestrated Workflow Engine) which will be integrated across the collaboration and offer a more exploratory and comprehensive research environment for scientists from both sides of the partnership to interact with data, models, analyses, and visualizations pertaining to the drug discovery scope of the collaboration.

Pipeline

- **Cerebral Cavernous Malformation (CCM) (REC-994):** Our Phase 2 SYCAMORE clinical trial is a randomized, double-blind, placebo-controlled study of two doses of REC-994 in participants with CCM. The primary endpoint of the study is safety and tolerability. Secondary and exploratory endpoints, including clinician measured outcomes, imaging of CCM lesions, patient reported outcomes and selected biomarkers, will be evaluated. Since fully enrolling in June 2023, the vast majority of participants who completed 12 months of treatment have entered the long-term extension study. We expect to share Phase 2 data in September 2024.
- **Neurofibromatosis Type 2 (NF2) (REC-2282):** Our adaptive Phase 2/3 POPLAR clinical trial is an open label, two part study of REC-2282 in participants with progressive NF2-mutated meningiomas. Part 1 of the study explores two doses of REC-2282 in adult and pediatric participants. Enrollment of adult patients in Part 1 of the study is complete (n=24). We expect to share preliminary safety and efficacy results from the adult cohort in Q4 2024.
- **APC or AXIN1 Mutant Cancers (REC-4881):** Our Phase 2 LILAC clinical trial is an open label, multicenter study of REC-4881 in participants with unresectable, locally advanced or metastatic cancer with *AXIN1* or *APC* mutations. We expect to share Phase 2 safety, tolerability and preliminary efficacy data in H1 2025.
- **Familial Adenomatous Polyposis (FAP) (REC-4881):** Our Phase 1b/2 TUPELO clinical trial is an open label, multicenter, two part study of REC-4881 in participants with FAP. Part 1 is complete and enrollment in Part 2 has commenced. We expect to share Phase 2 safety, tolerability and preliminary efficacy data in H1 2025.
- ***Clostridioides difficile* Infection (REC-3964):** Full Phase 1 data from our healthy volunteers study was presented at the World Congress on Infectious Diseases in Paris in June 2024. Our Phase 2 ALDER clinical trial is an open-label, multicenter randomized study designed to evaluate rates of recurrence with REC-3964 at two doses compared with an observational cohort after patients have achieved initial cure with vancomycin. We expect to initiate a Phase 2 study in patients at high risk for *C. difficile* infection recurrence in Q4 2024 with a preliminary readout expected by the end of 2025.
- **Advanced HR-Proficient Cancers, Target RBM39 (REC-1245):** RBM39 is a novel CDK12-adjacent target identified by the Recursion OS. REC-1245 will be evaluated for the potential treatment of advanced HR-proficient cancers such as ovarian, prostate, breast and pancreatic cancers.We expect to submit an IND in Q3 2024 and anticipate initiating a monotherapy Phase 1/2 open label study of REC-1245 in participants with unresectable, locally advanced or metastatic cancer in Q4 2024. Phase 1 data from the dose-escalation portion of the study is expected by the end of 2025.
- **Undisclosed Indication in Fibrosis, Target Epsilon:** This program originated under our initial fibrosis collaboration with Bayer. We have since in-licensed all rights to this program from Bayer. We are advancing our lead candidate through IND-enabling studies with IND submission expected in early 2025 with a Phase 1 healthy volunteer readout by the end of 2025.

Platform

- **BioHive-2 Supercomputer and Pipeline Growth:** We operationalized and benchmarked BioHive-2, our next generation supercomputer that we designed and built with our partner NVIDIA. According to the TOP500 List from June 2024, BioHive-2 is ranked the 35th most powerful supercomputer in the world across any industry. Our computational resources paired with LLM-driven tools and causal models built using multimodal patient data from Tempus has resulted in the first programs already entering the early-stage of our internal pipeline.
- **Whole-Genome Transcriptomics Map:** In June 2024, we announced completing the first version of a genome-scale transcriptomics CRISPR knockout map in HUVEC cells. With our computational resources and the generation and curation of scaled and relatable multiomics datasets, we are developing multiomics foundation models.

Financing and Operations

We were incorporated in November 2013. In April 2021, we closed our Initial Public Offering (IPO) and issued 27.9 million shares of Class A common stock at a price of $18.00 per share, raising net proceeds of $462.4 million. Prior to our IPO, we had raised $448.9 million in equity financing from investors in addition to $30.0 million in an upfront payment from our collaboration with Bayer AG (Bayer). In January 2022, we received an upfront payment of $150.0 million from our collaboration with Roche. See Note 9, “Collaborative Development Contracts” to the Condensed Consolidated Financial Statements for additional information on the collaboration with Roche. In October 2022, we issued 15.3 million shares of our Class A common stock at a purchase price of $9.80 per share in the 2022 private placement to qualified institutional buyers and institutional accredited investors for net proceeds of $143.7 million, after deducting fees and offering costs of $6.6 million. In July 2023, we issued an aggregate of 7.7 million shares of our Class A common stock at a purchase price of $6.49 per share in the 2023 Private Placement with NVIDIA Corporation for net proceeds of approximately $49.9 million. In August 2023, we entered into an Open Market Sales Agreement with Jefferies LLC to provide for the offering, issuance and sale of up to an aggregate amount of $300.0 million of its Class A common stock of which $161.6 million remain available for future sales. The Company has sold 5.9 million shares and received net proceeds of $56.0 million under the agreement. In June 2024, we issued an aggregate of 35.4 million shares of our Class A common stock at a purchase price of $6.50 per share and received net proceeds of $216.4 million, after deducting transaction costs of $13.6 million. See Note 8, “Common Stock” to the Condensed Consolidated Financial Statements for additional information on the public offering.

We use the capital we have raised to fund operating and investing activities across platform research operations, drug discovery, clinical development, digital and other infrastructure, creation of our portfolio of intellectual property and administrative support. We do not have any products approved for commercial sale and have not generated any revenues from product sales. We had cash and cash equivalents of $474.3 million as of June 30, 2024. Based on our current operating plan, we believe that our cash and cash equivalents will be sufficient to fund our operations for at least the next twelve months.

Since inception, we have incurred significant operating losses. Our net losses were $97.5 million and $188.9 million during the three and six months ended June 30, 2024, respectively. Our net losses were $76.7 million and $142.1 million during the three and six months ended June 30, 2023, respectively. As of June 30, 2024, our accumulated deficit was $1.2 billion.

We anticipate that we will need to raise additional financing in the future to fund our operations, including the potential commercialization of any approved product candidates. Until such time, if ever, as we can generate significant product revenue, we expect to finance our operations with our existing cash and cash equivalents, any future equity or debt financings and upfront, milestone and royalty payments, if any, received under current or future license or collaboration agreements. We may not be able to raise additional capital on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, results of operations and financial condition may be adversely affected.

Results of Operations

The following table summarizes our results of operations:

(in thousands, except percentages)	Three months ended June 30, 2024	2023	Change $	Change %	Six months ended June 30, 2024	2023	Change $	Change %
Revenue								
Operating revenue	$ 14,404	$ 11,016	$ 3,387	31 %	$ 27,895	$ 23,150	$ 4,745	20 %
Grant revenue	13	1	12	>100%	316	1	315	>100%
Total revenue	14,417	11,017	3,399	31 %	28,211	23,151	5,060	22 %
Operating costs and expenses								
Cost of revenue	9,199	9,382	(182)	(2)%	20,365	21,829	(1,464)	(7)%
Research and development	73,928	55,060	18,868	34 %	141,488	101,737	39,751	39 %
General and administrative	31,833	28,290	3,543	13 %	63,241	51,165	12,076	24 %
Total operating costs and expenses	114,960	92,732	22,229	24 %	225,094	174,731	50,363	29 %
Loss from operations	(100,543)	(81,715)	(18,830)	23 %	(196,883)	(151,580)	(45,303)	30 %
Other income, net	2,480	4,989	(2,509)	(50)%	6,668	9,527	(2,859)	(30)%
Loss before income tax benefit	(98,063)	(76,726)	(21,339)	28 %	(190,215)	(142,053)	(48,162)	34 %
Income tax benefit	523	—	523	n/m	1,302	—	1,302	n/m
Net loss	$ (97,539)	$ (76,726)	$ (20,816)	27 %	$ (188,913)	$ (142,053)	$ (46,860)	33 %

Revenue

The following table summarizes our components of revenue:

(in thousands, except percentages)	Three months ended June 30, 2024	2023	Change $	Change %	Six months ended June 30, 2024	2023	Change $	Change %
Revenue								
Operating revenue	$ 14,404	$ 11,016	$ 3,387	31 %	$ 27,895	$ 23,150	$ 4,745	20 %
Grant revenue	13	1	12	>100%	316	1	315	>100%
Total revenue	$ 14,417	$ 11,017	$ 3,399	31 %	$ 28,211	$ 23,151	$ 5,060	22 %

Operating revenue is generated through research and development agreements derived from strategic alliances. We are entitled to receive variable consideration as certain milestones are achieved. The timing of revenue recognition is not directly correlated to the timing of cash receipts.

For the three and six months ended June 30, 2024, the increase in revenue compared to prior period was due to revenue recognized from our strategic partnership with Roche, as our mix of work on the three performance obligations shifted towards higher cost processes including the progression of work related to our gastrointestinal cancer performance obligation.

Cost of Revenue

The following table summarizes our cost of revenue:

(in thousands, except percentages)	Three months ended June 30, 2024	2023	Change $	Change %	Six months ended June 30, 2024	2023	Change $	Change %
Total cost of revenue	$ 9,199	$ 9,382	$ (183)	(2)%	$ 20,365	$ 21,829	$ (1,464)	(7)%

Cost of revenue consists of the Company's costs to provide services for drug discovery required under performance obligations with partnership customers. These primarily include materials costs, service hours performed by our employees and depreciation of property and equipment.

For the three and six months ended June 30, 2024, the change in cost of revenue compared to prior period was insignificant.

Research and Development

The following table summarizes our components of research and development expense:

	Three months ended June 30,		Change		Six months ended June 30,		Change	
(in thousands, except percentages)	**2024**	**2023**	**$**	**%**	**2024**	**2023**	**$**	**%**
Research and development expense								
Platform	$ 32,821	$ 21,514	$ 11,307	53 %	$ 58,734	$ 40,006	$ 18,728	47 %
Discovery	15,540	16,449	(909)	(6)%	32,182	29,954	2,228	7 %
Clinical	14,709	12,479	2,230	18 %	31,306	24,001	7,305	30 %
Stock based compensation	8,579	4,483	4,096	91 %	16,574	7,315	9,259	>100%
Other	2,279	135	2,144	>100%	2,692	461	2,231	>100%
Total research and development expense	$ 73,928	$ 55,060	$ 18,868	34 %	$ 141,488	$ 101,737	$ 39,751	39 %

Research and development expenses account for a significant portion of our operating expenses. We recognize research and development expenses as they are incurred. Research and development expenses consist of costs incurred in performing activities including:

- costs to develop and operate our platform;
- costs of discovery efforts which may lead to development candidates, including research materials and external research;
- costs for clinical development of our investigational products;
- costs for materials and supplies associated with the manufacture of active pharmaceutical ingredients, investigational products for preclinical testing and clinical trials;
- personnel-related expenses, including salaries, benefits, bonuses and stock-based compensation for employees engaged in research and development functions;
- costs associated with operating our digital infrastructure; and
- other direct and allocated expenses incurred as a result of research and development activities, including those for facilities, depreciation, amortization and insurance.

We recognize expenses associated with third-party contracted services as they are incurred. Upon termination of contracts with third parties, our financial obligations are generally limited to costs incurred or committed to date. Any advance payments for goods or services to be used or rendered in future research and product development activities pursuant to a contractual arrangement are classified as prepaid expenses until such goods or services are rendered.

Significant components of research and development expense include the following allocated by development phase: Platform, which refers primarily to expenses related to screening of product candidates through hit identification; Discovery, which refers primarily to expenses related to hit identification through development of candidates; and Clinical, which refers primarily to expenses related to development of candidates and beyond.

For the three months ended June 30, 2024, the increase in research and development expenses compared to the prior period was driven by our platform and personnel costs as we continue to expand and upgrade our platform, including our chemical technology, machine learning and transcriptomics platform.

For the six months ended June 30, 2024, the increase in research and development expenses compared to the prior period was across all development phases due the expansion of our platform, internal pipeline activities and related personnel costs. Platform costs increased as we continue to expand and upgrade our platform, including our chemical technology, machine learning and transcriptomics platform. Our discovery costs increased as we

advanced our preclinical pipeline including our work on Target Epsilon. Our clinical costs increased as we continued to progress through our various clinical trials.

General and Administrative Expense

The following table summarizes our general and administrative expense:

	Three months ended June 30,		Change		Six months ended June 30,		Change	
(in thousands, except percentages)	**2024**	**2023**	**$**	**%**	**2024**	**2023**	**$**	**%**
Total general and administrative expense	$ 31,833	$ 28,290	$ 3,543	13 %	$ 63,241	$ 51,165	$ 12,076	24 %

We expense general and administrative costs as incurred. General and administrative expenses consist primarily of salaries; including employee benefits and stock-based compensation. General and administrative expenses also include facilities, depreciation, information technology, professional fees for auditing and tax, legal fees for corporate and patent matters and insurance costs.

For the three and six months ended June 30, 2024, the increase in general and administrative expense compared to prior period was primarily driven by an increase in salaries and wages of $1.5 million and $5.4 million, respectively, and increases in software and lease expense.

Other Income, Net

The following table summarizes our components of other income, net:

	Three months ended June 30,		Change		Six months ended June 30,		Change	
(in thousands, except percentages)	**2024**	**2023**	**$**	**%**	**2024**	**2023**	**$**	**%**
Interest income	3,266	4,957	(1,692)	(34.1)%	7,313	9,617	(2,305)	(24.0)%
Interest expense	(394)	(26)	(368)	>100%	(414)	(45)	(369)	>100%
Other	(392)	57	(449)	>100%	(231)	(45)	(186)	>100%
Other income, net	$ 2,480	$ 4,988	$ (2,509)	(50.3)%	$ 6,668	$ 9,527	$ (2,860)	(30.0)%

For the three and six months ended June 30, 2024, the decrease in interest income compared to prior period related to a decrease in earnings on cash and cash equivalents in money market funds.

Liquidity and Capital Resources

Sources of Liquidity

We have not yet commercialized any products and do not expect to generate revenue from the sales of any product candidates for at least several years. Cash and cash equivalents totaled $474.3 million and $391.6 million as of June 30, 2024 and December 31, 2023, respectively.

We have incurred operating losses and experienced negative operating cash flows and we anticipate that the Company will continue to incur losses for at least the foreseeable future. Our net loss was $97.5 million and $188.9 million during the three and six months ended June 30, 2024, respectively. Our net loss was $76.7 million and $142.1 million during the three and six months ended June 30, 2023, respectively. As of June 30, 2024 and December 31, 2023, we had an accumulated deficit of $1.2 billion and $967.6 million, respectively.

We have financed our operations through the private placements of preferred stock and Class A common stock issuances. As of June 30, 2024, we have received net proceeds of $448.9 million from the sale of preferred stock and $1.0 billion from Class A common stock issuances. See Note 8, “Common Stock” to the Condensed Consolidated Financial Statements for additional details on Class A common stock issuances. Additionally, as of June 30, 2024, we have received proceeds of $183.0 million from our strategic partnerships. See Note 9,

“Collaborative Development Contracts” to the Condensed Consolidated Financial Statements for additional details on the Roche partnership.

Cash Flows

The following table is a summary of the Condensed Consolidated Statements of Cash Flows for each of the periods presented below:

	Six months ended June 30,	
(in thousands)	**2024**	**2023**
Cash used in operating activities	$ (184,519)	$ (140,783)
Cash used in investing activities	(10,835)	(7,393)
Cash provided by financing activities	277,019	5,709

Operating Activities
Cash used by operating activities increased during the six months ended June 30, 2024 as a result of higher costs incurred for research and development and general and administrative due to the Company’s expansion and upgraded capabilities.

Cash used by operating activities increased during the six months ended June 30, 2023 as a result of an upfront payment of $150.0 million from our strategic partnership with Roche received in 2022.

Investing Activities
Cash used by investing activities during the six months ended June 30, 2024 consisted of property and equipment purchases of $7.8 million, which included $2.9 million to upgrade the BioHive-2 supercomputer and lab equipment purchases. Additionally, investing activities included the purchase of an intangible asset of $3.0 million from Helix.

Cash used by investing activities during the six months ended June 30, 2023 consisted primarily of purchases of property and equipment of $9.1 million, which included $1.7 million for a project to upgrade the BioHive -1 supercomputer and lab equipment purchases. The cash used was partially offset by $1.9 million of net cash acquired in the acquisition of a business.

Financing Activities
Cash provided by financing activities during the six months ended June 30, 2024 primarily included proceeds of $272.4 million from common stock issuances related to our June 2024 public offering of common stock and our at-the-market offering (ATM). Financing inflows also included proceeds from equity incentive plans of $4.7 million.

Cash provided by financing activities during the six months ended June 30, 2023 primarily included proceeds from equity incentive plans of $5.8 million.

Critical Accounting Estimates and Policies

A summary of the Company’s significant accounting estimates and policies is included in Note 2, “Summary of Significant Accounting Policies” in our 2023 Annual Report. There were no significant changes in the Company’s application of its critical accounting policies during the six months ended June 30, 2024.

Recently Issued and Adopted Accounting Pronouncements

See Note 2, “Basis of Presentation” in Item 1 of this Quarterly Report on Form 10-Q for information regarding recently issued and adopted accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk

We are exposed to market risk related to changes in interest rates of our cash and cash equivalents. As of June 30, 2024, our cash and cash equivalents primarily consisted of money market funds. Our primary exposure to market risk is interest income sensitivity, which is affected by changes in U.S. interest rates. A hypothetical 100 basis point

decrease in interest rates as of as of June 30, 2024, would have an insignificant effect on net loss in the ensuing year.

Foreign Currency Exchange Risk

Our employees and our operations are primarily located in the United States and Canada and our expenses are generally denominated in U.S. and Canadian dollars. We also have entered into a limited number of contracts with vendors for research and development services that have underlying payment obligations denominated in foreign currencies. We are subject to foreign currency transaction gains or losses on our contracts denominated in foreign currencies. To date, foreign currency transaction gains and losses have not been material to our financial statements, and we do not have a formal hedging program with respect to foreign currency. A 10% increase or decrease in current exchange rates would have an insignificant effect on our financial results during the three and six months ended June 30, 2024 and 2023.

Item 4. Controls and Procedures.

The Company has established disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act) designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to management, including the principal executive officer (our Chief Executive Officer) and principal financial officer (our Chief Financial Officer), to allow timely decisions regarding required disclosure. 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.

Evaluation of Disclosure Controls and Procedures

Our management has evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. 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 as management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our disclosure controls and procedures have been designed to provide reasonable assurance of achieving their objectives. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of June 30, 2024, our disclosure controls and procedures were ineffective due to the material weakness in internal control over financial reporting disclosed in Part II, Item 9A of our Annual Report on Form 10-K for the year ended December 31, 2023.

Remediation of Material Weakness

The following remediation actions have been taken as of June 30, 2024:

- Improvement of documentation procedures regarding specific inquiries related to the cost model used for revenue recognition and the resulting responses
- Improvement of documentation for the review of changes in cost model due to responses from inquiries
- Provided additional documentation for internal reports to validate and support completeness and accuracy of reports
- Improvement of documentation of these processes was done with the input of our third-party consultants who continue to be involved in the design and enhancement of the revenue recognition policies and procedures

While significant progress has been made to enhance our internal control over financial reporting, we are still in the process of implementing and testing these remediated processes, procedures and controls. We believe the above actions will be effective in remediating the material weakness described above. However, the material weakness cannot be considered remediated until controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. As such, we were unable to conclude that the material weakness has been remediated as of June 30, 2024.

Changes in Internal Control Over Financial Reporting

With the exception of the steps taken to remediate the material weakness as described above, there were no other changes in internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

The Company may, from time to time, be involved in various legal proceedings arising in the normal course of business. An unfavorable resolution of any such matter could materially affect the Company's future financial position, results of operations or cash flows. For more information pertaining to legal proceedings, see Part I, Item 1, Note 7, "Commitments and Contingencies," which is incorporated herein by reference.

Item 1A. Risk Factors.

Investing in our common stock involves a high degree of risk. For a detailed discussion of the risks that affect our business. Please refer to the sections titled Part I, Item 1A. "Risk Factors" of our 2023 Annual Report and in Part II, Item 1A. "Risk Factors" of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2024.

The risk factors set forth below represent new risk factors or those containing changes to the similarly titled risk factor included in "Item 1A. Risk Factors" of our 2023 Annual Report and in Part II, Item 1A. "Risk Factors" of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2024.

RISKS RELATED TO OUR PLATFORM AND DATA

Issues relating to the use of artificial intelligence and machine learning in our offerings could adversely affect our business and operating results.

We incorporate artificial intelligence and machine learning ("AI") solutions into our platform, in applications that are important to our operations and our drug discovery processes. There are significant risks involved in utilizing AI. Issues relating to the use of new and evolving technologies, such as AI and machine learning, may cause us to experience brand or reputational harm, competitive harm, legal liability, and new or enhanced governmental or regulatory scrutiny, and we may incur additional costs to resolve such issues. Known risks of AI currently include inaccuracy, bias, toxicity, intellectual property infringement or misappropriation, data privacy and cybersecurity issues, and data provenance disputes. Perceived or actual technical, legal, compliance, privacy, security, ethical or other issues relating to the use of AI may cause public confidence in AI to be undermined, which could slow our customers' adoption of our products and services that use AI. In addition, litigation or government regulation related to the use of AI may also adversely impact our and others' abilities to develop and offer products that use AI, as well as increase the cost and complexity of doing so. See the section titled "—Regulatory and legislative developments related to the use of AI could adversely affect our use of such technologies in our products, services, and business." Developing, testing and deploying AI systems may also increase the cost profile of our product offerings due to the nature of the computing costs involved in such systems, which could impact our project margin and adversely affect our business and operating results. In addition, AI may have or produce errors or inadequacies that are not easily detectable. If the data used to train AI or the content, analyses, or recommendations that AI applications assist in producing are or are alleged to be deficient, inaccurate, incomplete, overbroad or biased, our business, financial condition, and results of operations may be adversely affected. The legal landscape and subsequent legal protection for the use of AI and the collection and use of data used to train AI models remains uncertain, and development of the law in this area could impact our ability to enforce our proprietary rights or protect against infringing uses. If we do not have sufficient rights to collect or use the data on which our AI relies or to the outputs produced by AI applications, we may incur liability through the alleged violation of certain laws, third-party privacy rights, online terms of service, or other contracts to which we or our data providers are a party. Our use of AI applications may also, in the future, result in cybersecurity incidents that implicate the personal data of customers or patients. Any such cybersecurity incidents related to our use of AI applications could adversely affect our reputation and results of operations.

RISKS RELATED TO GOVERNMENT REGULATION

Regulatory and legislative developments related to the use of AI could adversely affect our use of such technologies in our products, services, and business.

We use AI throughout our business, including in our drug discovery processes and technology. As the regulatory framework for AI (including generative AI) evolves, our business, financial condition and results of operations may

be adversely affected. The regulatory framework for AI and similar technologies is changing rapidly. It is possible that new laws and regulations will be adopted in the United States and in non-U.S. jurisdictions, or that existing laws and regulations may be interpreted in ways that would affect the operation of our drug discovery platform and data analytics and the way in which we use AI and similar technologies. We may not be able to adequately anticipate or respond to these evolving laws and regulations, and we may need to expend additional resources to adjust our offerings in certain jurisdictions if applicable legal frameworks are inconsistent across jurisdictions. In addition, because these technologies are themselves highly complex and rapidly developing, it is not possible to predict all of the legal or regulatory risks that may arise relating to our use of such technologies. Further, the cost to comply with such laws or regulations could be significant and would increase our operating expenses, which could adversely affect our business, financial condition and results of operations.

For example, in Europe, the European Union's Artificial Intelligence Act (AI Act) entered into force on August 1, 2024. The AI Act establishes a risk-based governance framework for regulating high-risk AI systems operating in or being used by the EU market. The AI Act could impact our products, business, and use of AI, even if we do not have a direct presence in the EU. This framework categorizes AI systems based on the risks associated with such AI systems' intended purposes as creating "unacceptable", "high" or "limited" risks. While the AI Act has not yet been enforced, there is a risk that our current or future AI-powered software or applications may be categorized as "high" risk or "limited" risk, obligating us to comply with the applicable requirements of the AI Act, which may impose additional costs on us, increase our risk of liability, or adversely affect our business. For example, "high" risk AI systems are required, amongst other things, to implement and maintain certain risk and quality management systems, conduct certain conformity and risk assessments, use appropriate data governance and management practices, including in development and training, and meet certain standards related to testing, technical robustness, transparency, human oversight, and cybersecurity. Even if our AI systems are not categorized as "high" risk we may be subject to additional transparency and other obligations for "low" risk AI system providers. The AI Act sets forth certain penalties, including fines of the greater of EUR 35 million or 7% of worldwide annual turnover (as defined in the AI Act) for the prior year for violations related to offering prohibited AI-systems or data governance, fines of the greater of EUR 15 million or 3% of worldwide annual turnover for the prior year for violations related to the requirements for "high" risk AI systems, and fines of the greater of EUR 7.5 million or 1.5% of worldwide annual turnover for the prior year for violations related to supplying incorrect, incomplete or misleading information to the EU and member state authorities. The AI Act's regulatory framework is expected to have a material impact on the way AI is regulated in the EU and across the world, and together with developing guidance and/or decisions in this area, may affect our use of AI and our ability to provide and to improve our services, require additional compliance measures and changes to our operations and processes, result in increased compliance costs and potential increases in civil claims against us, and could adversely affect our business, financial condition and results of operations.

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

(a) Sales of Unregistered Securities

Stock Option Exercises

For the six months ended June 30, 2024, we issued 89 thousand shares of our Class A common stock to our employees, directors, advisors and consultants upon the exercise of stock options under our Key Personnel Incentive Stock Plan for aggregate consideration of approximately $29 thousand. The shares of Class A common stock issued upon the exercise of stock options were issued pursuant to written compensatory plans or arrangements with our employees, directors, advisors and consultants, in reliance on the exemption provided by Rule 701 promulgated under the Securities Act of 1933, as amended, or pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended, relative to transactions by an issuer not involving any public offering, to the extent an exemption from such registration was required. All recipients either received adequate information about our company or had access, through employment or other relationships, to such information.

Item 6. Exhibits.

Exhibit Index:

		Incorporated by Reference				
Exhibit number	**Description**	**Form**	**File No.**	**Exhibit No.**	**Filing Date**	**Filed / Furnished Herewith**
3.1	Amended and Restated Certificate of Incorporation of Recursion Pharmaceuticals, Inc.	8-K	001-40323	3.1	April 21, 2021	
3.2	Amended and Restated Bylaws of Recursion Pharmaceuticals, Inc.	8-K	001-40323	3.1	January 31, 2024	
4.1	Specimen Class A common stock certificate of the Registrant.	S-1/A	333-254576	4.2	April 15, 2021	
4.2	Exchangeable Share Support Agreement, dated May 8, 2023.	S-3ASR	333-272281	4.2	May 30, 2023	
4.3	Registration Rights Agreement, dated October 24, 2022, by and among the Company and the Purchasers.	8-K	001-40323	10.2	October 25, 2022	
4.4	Registration Agreement, dated May 16, 2023, by and among the Registrant, Valence Discovery, Inc., and certain shareholders of Valence Discovery, Inc.	S-3ASR	333-272281	4.3	May 30, 2023	
4.5	Registration Agreement, dated May 25, 2023, by and among the Registrant, Recursion Canada Inc., and certain shareholders of Cyclica Inc.	8-K	001-40323	4.1	June 9, 2023	
4.6	Registration Rights Agreement, dated July 11, 2023, by and among the Registrant and NVIDIA.	8-K	001-40323	10.2	July 12. 2023	
10.1	Employment Offer Letter, dated July 1, 2024, between the Registrant and Dr. Najat Khan, Ph.D.					X
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1*	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					X

* The certifications furnished in Exhibit 32.1 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended. Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Registrant specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized on August 8, 2024.

RECURSION PHARMACEUTICALS, INC.

By: /s/ Christopher Gibson
Christopher Gibson
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Michael Secora
Michael Secora
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 10.1

41 S. Rio Grande Street
Salt Lake City, Utah 84101
(385) 269-0203
recursionpharma.com

RECURSION

July 1, 2024

Najat Khan, Ph.D.

Re: Employment Offer Letter

Dear Najat:

Recursion Pharmaceuticals, Inc. (the "Company," "we," "us," or "our") is truly excited to extend you an offer on the terms and conditions in this letter agreement (the "Agreement") and hope that you will be joining us in our mission of decoding biology to radically improve lives.

1. **Position**. You will be the Company's Chief Research and Development Officer and Chief Commercial Officer and will report to the Company's Chief Executive Officer. This is a full-time position. You will perform the duties and have the responsibilities and authority customarily performed and held by an employee in your position or as otherwise may be assigned or delegated to you by the Company.

2. **Location**. You are required to spend a minimum of 40-50% of standard working days onsite, with 20% spent at the Company's headquarters in Salt Lake City. For executives who choose to live in other cities, because we believe in the value of onsite interaction for our teams, we will cover up to an average of four round- trip flights per month to/from Company Headquarters and we may make use of Company-leased apartments within walking distance of the office to offset hotel costs for the Company.

3. **Base Salary.** Your annual base salary will be $570,000, which will be payable, less applicable withholdings and deductions, in accordance with the Company's normal payroll practices. Your annual base salary may be modified from time to time at the discretion of the Company.

4. **Sign-On Bonus**. At the 60-day anniversary of your start date you will be entitled to a $500,000 cash sign-on bonus. This bonus must be repaid in a timely manner if you depart the Company before your two year-anniversary unless your departure is due to a Qualifying Termination as defined in the Executive Change In Control and Severance Plan And Summary Plan Description.

5. **Annual Bonus**. You are eligible to earn an annual cash bonus with a target value of 25% of your annual base salary and an annual equity bonus with a target value of 25% of your annual base salary paid in fully vested equity awards, in each case based on achieving performance objectives established by the Company's Board of Directors (the "Board") or an authorized committee thereof (the "Committee") in its sole discretion and payable upon achievement of those objectives as determined by the Committee. If any portion of any such bonus is earned, it will be paid when practicable after the Committee determines it has been earned, subject to you remaining employed with the Company through the payment date. Your annual bonus opportunity will be subject to review and adjustment based upon the Company's normal performance review practices.

6. **Equity Awards**. Subject to the approval of the Committee, the Company will grant you an award of restricted stock units ("RSUs") with a target value of $4,000,000.00. If the RSU award is approved by the Committee, on the grant date, the target value will be converted into a number of RSUs determined in accordance with the Company's equity practices. Each RSU subject to the award will represent a right to receive one share of our Class A Common Stock upon vesting. The RSU award will vest as follows: 25% of the RSUs subject to the award shall vest on the first Company Vesting Date (each of February 15, May 15, August 15, and November 15 is a "Company Vesting Date") occurring after the first anniversary of your Start Date (as defined below) and 1/16th of the RSUs subject to the award will vest every Company Vesting Date thereafter until the RSU award is fully vested, subject to your continued employment with the Company through each such Company Vesting Date. The RSU award will be subject to the terms and conditions of the Company's equity incentive plan as then in effect and the applicable form of RSU agreement thereunder.

Subject to the approval of the Committee, the Company will grant you an option to purchase shares of our Class A Common Stock at a price per share equal to the fair market value of a share of our Class A Common Stock on the date of grant (as determined by the Committee), with such option having a target value of $4,000,000.00. If the option is approved by the Committee, on the grant date, the target value will be converted into a number of shares determined in accordance with the Company's equity practices. The option will vest as follows: 25% of the shares subject to the option shall vest on the first anniversary of your Start Date and 1/48th of the shares subject to the option award will vest each month thereafter until the option award is fully vested, subject to your continued employment with the Company through each such vesting date. Your option grant shall be subject to the terms and conditions of the of the Company's equity incentive plan as then in effect and the applicable form of option agreement thereunder.

In addition, you will be eligible to receive other awards of stock options, restricted stock units or other equity awards pursuant to any plans or arrangements the Company may have in effect from time to time. The Committee will determine in its discretion whether you will be granted any such equity awards and the terms of any such award in accordance with the terms of any applicable plan or arrangement that may be in effect from time to time.

7. **Employee Benefits**. As a regular full time, employee of the Company, you will be eligible to participate in Company-sponsored benefits in accordance with the terms of the Company's policies and benefits plan. In addition, you will be entitled to paid vacation in accordance with the Company's vacation policy, as in effect from time to time. Information regarding coverage, eligibility, and other information regarding these benefits is set forth in more detailed documents that are available from the Company. With the exception of the Company's at-will employment policy, discussed below, the Company may, from time to time, in its sole discretion, modify or eliminate its policies and/or benefits offered to employees.

8. **Severance**. You will be eligible for the Company's Executive Change in Control and Severance Plan (the "Severance Plan") by entering into a Participation Agreement under the Severance Plan, which is being provided to you concurrently with this Agreement. Your Participation Agreement under the Severance Plan will specify the severance payments and benefits you could be eligible to receive in connection with certain terminations of your employment with the Company.

9. **Employment Relationship**. Employment with the Company will be for no specific period of time. Your employment with the Company will be "at will," meaning that either you or the Company may

terminate your employment at any time and for any reason, with or without cause. Any contrary representations that may have been made to you are superseded by this Agreement. This is the full and complete agreement between you and the Company on this term. Although your job duties, title, compensation and benefits, as well as the Company's personnel policies and procedures and your other terms and conditions of employment, may change from time to time, the "at will" nature of your employment may only be changed in an express written agreement signed by you and the CEO of the Company.

10. **Background Check**. The Company reserves the right to conduct background investigations and/or reference checks on all of its potential employees. Your job offer, therefore, is contingent upon a clearance of such a background investigation and/or reference check.

11. **Immigration Laws**. For purposes of federal immigration law, you will be required to provide to the Company documentary evidence of your identity and eligibility for employment in the United States. Such documentation must be provided within three (3) business days of the effective date of your employment, or your employment relationship with the Company may be terminated.

12. **Prior Employment/Third Party Information/Conflicting Obligations**. We ask that, if you have not already done so, you disclose to the Company any and all agreements relating to your prior employment that may affect your eligibility to be employed by the Company or limit the manner in which you may be employed. It is the Company's understanding that any such agreements will not prevent you from performing the duties of your position and you represent that such is the case. Similarly, you agree not to bring any third-party confidential information to the Company, including that of any former employer, and that you will not in any way utilize any such information in performing your duties for the Company. Moreover, you agree that, during the term of your employment with the Company, you will not engage in any other employment, occupation, consulting, or other business activity directly related to the business in which the Company is now involved or becomes involved during the term of your employment, nor will you engage in any other activities that conflict with your obligations to the Company.

13. **Employee Confidentiality and Invention Assignment**. As a condition of your employment with the Company, you will be required to sign and comply with an At-Will Employment, Confidential Information, Invention Assignment, and Arbitration Agreement (the "**Confidentiality Agreement**"), which requires, among other provisions, the assignment of patent rights to any invention made during your employment at the Company, non-disclosure of Company proprietary information, and arbitration of any disputes or claims relating to or arising out of our employment relationship, subject to the terms and conditions set forth in the Confidentiality Agreement. Please note that we must receive your signed Confidentiality Agreement before your first day of employment with the Company. Nothing in this Agreement, the Confidentiality Agreement, or any other Company agreement or policy will prohibit you from engaging in protected conduct, as described in the Protected Activity Not Prohibited section of the Confidentiality Agreement.

14. **Company Policies.** As a Company employee, you will be expected to abide by the Company's rules and standards. You will be specifically required to sign an acknowledgment that you have read and understand the Company's Code of Conduct, and the Company's employee handbook, along with other Company policies.

15. **FDA Disbarment**. As a condition of the acceptance of this Agreement, you certify that you are not and have never been debarred by the FDA pursuant to 21 USC 335, are not listed on the FDA's

disqualified/restricted list, are not excluded from participating in federal health care programs, and have not committed any actions that could lead to FDA debarment or exclusion from federal health care programs. If you become aware of a proceeding that could lead to debarment or disqualification/restriction by FDA or exclusion from federal health care programs, you will immediately inform the Board.

16. **Governing Law; Venue**. All questions concerning the construction, validity and interpretation of this Agreement and the exhibits hereto shall be governed by and construed in accordance with the domestic laws of the State of Utah, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Utah or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Utah. Any lawsuit arising out of or in any way related to this Agreement to the Parties' relationship hereunder shall be brought only in those state or federal courts having jurisdiction over actions arising in Salt Lake County in the State of Utah.

17. **Miscellaneous**. To accept the Company's offer, please sign and date this Agreement in the space provided below. If you accept our offer, your first day of employment is expected to be June 28, 2024 (the actual date your employment begins, the "Start Date"). You understand and agree that your compensation set forth herein will be remuneration for all services rendered to the Company and any subsidiaries or affiliates of Company. This Agreement, the Severance Plan, the Participation Agreement, and the Confidentiality Agreement constitute the entire agreement between you and the Company regarding the subject matters discussed, and they supersede all prior negotiations, representations or agreements between you and the Company (including, but not limited to, any representations made during your recruitment, interviews or pre-employment negotiations, whether written or oral). This Agreement may only be modified by a written agreement signed by you and the Company's Chief Executive Officer. This offer of employment will terminate if it is not accepted, signed and returned.

To accept this offer of employment, please sign and date in the spaces indicated and return this Agreement to the Company.

Sincerely,

Recursion Pharmaceuticals, Inc.

By: /s/ Christopher Gibson

Christopher Gibson

Chief Executive Officer

I have read and understood this Agreement and hereby acknowledge, accept and agree to the terms as set forth herein and further acknowledge that no other commitments were made to me as part of my employment offer except as specifically set forth herein.

/s/ Najat Khan

Najat Khan, Ph.D.

Exhibit 31.1

Certification of Principal Executive Officer
Pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended

I, Christopher Gibson, certify that:

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

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

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

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

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

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

/s/ Christopher Gibson
Christopher Gibson, Chief Executive Officer (principal executive officer)

Date: August 8, 2024

Exhibit 31.2

Certification of Principal Financial Officer
Pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended

I, Michael Secora, certify that:

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

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

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

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

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

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

/s/ Michael Secora
Michael Secora, Chief Financial Officer (principal financial officer)

Date: August 8, 2024

Exhibit 32.1

Certifications of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Recursion Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), The undersigned certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Christopher Gibson
Christopher Gibson, Chief Executive Officer (principal executive officer)

/s/ Michael Secora
Michael Secora, Chief Financial Officer (principal financial officer)

Date: August 8, 2024