UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended 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: 001-39655

GALECTO, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**37-1957007**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
Ole Maaloes Vej 3 DK-2200 Copenhagen N Denmark	**N/A**
75 State Street, Suite 100 Boston, MA 02109	**02109**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (+45) 70 70 52 10

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.00001 per share	GLTO	The Nasdaq Capital 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

As of August 7, 2024, the registrant had 27,130,196 shares of common stock, $0.00001 par value per share, outstanding.

Table of Contents

		Page
	PART I. FINANCIAL INFORMATION	
Item 1.	Condensed Consolidated Financial Statements (Unaudited)	4
	Condensed Consolidated Balance Sheets	4
	Condensed Consolidated Statements of Operations and Comprehensive Loss	5
	Condensed Consolidated Statements of Changes in Stockholders' Equity	6
	Condensed Consolidated Statements of Cash Flows	8
	Notes to Unaudited Interim Condensed Consolidated Financial Statements	9
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	17
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	29
Item 4.	Controls and Procedures	30
	PART II. OTHER INFORMATION	
Item 1.	Legal Proceedings	31
Item 1A.	Risk Factors	31
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	31
Item 3.	Defaults Upon Senior Securities	31
Item 4.	Mine Safety Disclosures	31
Item 5.	Other Information	31
Item 6.	Exhibits	33
Signatures		34

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. All statements other than statements of historical fact are "forward-looking statements" for purposes of this Quarterly Report on Form 10-Q. In some cases, you can identify forward-looking statements by terminology such as "may," "could," "will," "would," "should," "expect," "plan," "anticipate," "believe," "estimate," "intend," "predict," "seek," "contemplate," "project," "continue," "potential," "ongoing," "goal," or the negative of these terms or other comparable terminology. These forward-looking statements include, but are not limited to, statements regarding:

- our plans and expectations regarding our strategic alternative review process that we announced in September 2023 and the timing and success of such process, including the completion of a potential transaction;
- our ability to retain the continued service of our directors, officers, key employees and consultants;
- our ability to maintain the listing of our common stock on the Nasdaq Stock Market;
- the success, cost and timing of our product development activities and planned initiation and completion of clinical trials of our current fibrosis and oncology product candidates, including GB2064 and GB1211, and any future product candidates;
- our need to raise additional funding;
- our ability to obtain regulatory approval for our current or future product candidates that we may identify or develop;
- our ability to ensure adequate supply of our current or future product candidates;
- our ability to maintain third-party relationships necessary to conduct our business;
- our heavy dependence upon the success of our research to generate and advance additional product candidates;
- our ability to establish an adequate safety or efficacy profile for our current or future product candidates that we may pursue;
- the implementation of our strategic plans for our business, our current or future product candidates we may develop and our technology;
- our intellectual property position, including the scope of protection we are able to establish and maintain for intellectual property rights covering our product candidates and technology;
- the rate and degree of market acceptance and clinical utility for our current or future product candidates we may develop;
- our estimates about the size of our market opportunity;
- our estimates of our expenses, future revenues, capital requirements and our needs for additional financing;
- our ability to maintain and establish collaborations;
- our financial performance and liquidity;
- our ability to effectively manage our potential growth;
- developments relating to our competitors and our industry, including the impact of government regulation;
- our ability to retain the continued service of our key professionals and consultants and to identify, hire and retain additional qualified professionals;
- our ability to maintain adequate internal controls over financial reporting;
- the effects of global economic uncertainty and financial market volatility caused by economic effects of rising inflation and interest rates, geopolitical instability, changes in international trade relationships and conflicts, such as the ongoing conflict between Russia and Ukraine and the current armed conflict in Israel and the Gaza Strip, on any of the foregoing or other aspects of our business or operations; and
- other risks and uncertainties, including those listed under the section titled "Risk Factors."

These statements relate to future events or to our future financial performance and involve known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by these forward-looking statements. Factors that may cause actual results to differ materially from current expectations include, among other things, the reasons described elsewhere in this Quarterly Report on Form 10-Q and those set forth in Part I, Item 1A - "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023. Any forward-looking statement in this Quarterly Report on Form 10-Q reflects our current view with respect to future events and is subject to these and other risks, uncertainties, and assumptions relating to our operations, results of operations, industry, and future growth. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future.

This Quarterly Report on Form 10-Q also contains estimates, projections, and other information concerning our industry, our business, and the markets for certain drugs, including data regarding the estimated size of those markets, their projected growth rates, and the incidence of certain medical conditions. Information that is based on estimates, forecasts, projections, or similar methodologies is inherently subject to uncertainties, and actual events or circumstances may differ materially from events and circumstances reflected in this information. Unless otherwise expressly stated, we obtained these industry, business, market, and other data from reports, research surveys, studies, and similar data prepared by third parties, industry, medical and general publications, government data, and similar sources. In some cases, we do not expressly refer to the sources from which these data are derived.

Except where the context otherwise requires, in this Quarterly Report on Form 10-Q, "we," "us," "our," "Galecto," and the "Company" refer to Galecto, Inc. and, where appropriate, its consolidated subsidiaries.

Trademarks

We have applied for various trademarks that we use in connection with the operation of our business. This Quarterly Report on Form 10-Q includes trademarks, service marks, and trade names owned by us or other companies. All trademarks, service marks, and trade names included in this Quarterly Report on Form 10-Q are the property of their respective owners. Solely for convenience, the trademarks and trade names in this report may be referred to without the ® and ™ symbols, but such references should not be construed as any indicator that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

GALECTO, INC.

Condensed Consolidated Balance Sheets

(in thousands, except share and per share amounts)

	June 30, 2024	December 31, 2023
Assets	(unaudited)	
Current assets		
Cash and cash equivalents	$ 22,862	$ 21,465
Marketable securities	—	11,686
Prepaid expenses and other current assets	2,306	3,623
Total current assets	25,168	36,774
Operating lease right-of-use asset	76	247
Equipment, net	67	78
Other assets, non-current	1,986	1,128
Total assets	$ 27,297	$ 38,227
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	$ 724	$ 1,702
Accrued expenses and other current liabilities	2,985	4,128
Total current liabilities	3,709	5,830
Operating lease liabilities, non-current	—	66
Total liabilities	3,709	5,896
Commitments and contingencies (Note 9)		
Stockholders' equity		
Preferred stock, par value of $0.00001 per share; 10,000,000 shares authorized at June 30, 2024 and December 31, 2023; no shares issued or outstanding as of June 30, 2024 and December 31, 2023	—	—
Common stock, par value of $0.00001 per share; 300,000,000 shares authorized at June 30, 2024 and December 31, 2023; 27,121,030 and 27,112,697 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively	—	—
Additional paid-in capital	290,291	288,036
Accumulated deficit	(266,900)	(256,085)
Accumulated other comprehensive gain	197	380
Total stockholders' equity	23,588	32,331
Total liabilities and stockholders' equity	$ 27,297	$ 38,227

See accompanying notes to the unaudited interim condensed consolidated financial statements.

GALECTO, INC.

Condensed Consolidated Statements of Operations and Comprehensive Loss

(in thousands, except share and per share amounts)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Operating expenses				
Research and development	$ 1,834	$ 8,089	$ 4,297	$ 18,451
General and administrative	2,775	3,070	6,053	6,200
Restructuring costs	968	—	968	—
Total operating expenses	5,577	11,159	11,318	24,651
Loss from operations	(5,577)	(11,159)	(11,318)	(24,651)
Other income, net				
Interest income, net	213	442	470	876
Foreign exchange transaction gain, net	68	(27)	75	37
Total other income, net	281	415	545	913
Loss before income tax expense	(5,296)	(10,744)	(10,773)	(23,738)
Income tax expense	42	—	42	—
Net loss	$ (5,338)	$ (10,744)	$ (10,815)	$ (23,738)
Net loss per common share, basic and diluted	$ (0.20)	$ (0.41)	$ (0.40)	$ (0.91)
Weighted-average number of shares used in computing net loss per common share, basic and diluted	27,115,536	26,375,076	27,114,116	26,025,929
Other comprehensive loss, net of tax				
Currency translation loss	(131)	(35)	(217)	(10)
Unrealized gain on marketable securities	2	25	34	117
Other comprehensive gain (loss), net of tax	(129)	(10)	(183)	107
Total comprehensive loss	$ (5,467)	$ (10,754)	$ (10,998)	$ (23,631)

See accompanying notes to the unaudited interim condensed consolidated financial statements.

GALECTO, INC.

Condensed Consolidated Statements of Changes in Stockholders' Equity

(in thousands, except share amounts)

(Unaudited)

Three Months Ended June 30, 2024	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at March 31, 2024	27,112,697	$ —	$ 289,395	$ (261,562)	$ 326	$ 28,159
Stock-based compensation expense	—	—	891	—	—	891
Issuance of common stock in connection with vesting of restricted stock units	8,333	—	5	—	—	5
Other comprehensive loss, net	—	—	—	—	(129)	(129)
Net loss	—	—	—	(5,338)	—	(5,338)
Balance at June 30, 2024	27,121,030	$ —	$ 290,291	$ (266,900)	$ 197	$ 23,588

Three Months Ended June 30, 2023	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at March 31, 2023	25,673,474	$ —	$ 281,190	$ (230,730)	$ (127)	$ 50,333
Stock-based compensation expense	—	—	1,439	—	—	1,439
Issuance of common stock; net of issuance costs	1,348,425	—	2,682	—	—	2,682
Other comprehensive loss, net	—	—	—	—	(10)	(10)
Net loss	—	—	—	(10,744)	—	(10,744)
Balance at June 30, 2023	27,021,899	$ —	$ 285,311	$ (241,474)	$ (137)	$ 43,700

See accompanying notes to the unaudited interim condensed consolidated financial statements.

GALECTO, INC.

Condensed Consolidated Statements of Changes in Stockholders' Equity

(in thousands, except share amounts)

(Unaudited)

Six Months Ended June 30, 2024	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at December 31, 2023	27,112,697	$ —	$ 288,036	$ (256,085)	$ 380	$ 32,331
Stock-based compensation expense	—	—	2,250	—	—	2,250
Issuance of common stock in connection with vesting of restricted stock units	8,333	—	5	—	—	5
Other comprehensive loss, net	—	—	—	—	(183)	(183)
Net loss	—	—	—	(10,815)	—	(10,815)
Balance at June 30, 2024	27,121,030	$ —	$ 290,291	$ (266,900)	$ 197	$ 23,588

Six Months Ended June 30, 2023	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at December 31, 2022	25,652,392	$ —	$ 279,733	$ (217,736)	$ (244)	$ 61,753
Stock-based compensation expense	—	—	2,873	—	—	2,873
Issuance of common stock; net of issuance costs of $0.2 million	1,369,507	—	2,705	—	—	2,705
Other comprehensive gain, net	—	—	—	—	107	107
Net loss	—	—	—	(23,738)	—	(23,738)
Balance at June 30, 2023	27,021,899	$ —	$ 285,311	$ (241,474)	$ (137)	$ 43,700

See accompanying notes to the unaudited interim condensed consolidated financial statements.

GALECTO, INC.

Condensed Consolidated Statements of Cash Flows

(in thousands)

(Unaudited)

	Six Months Ended June 30,	
	2024	**2023**
Cash flows from operating activities:		
Net loss	$ (10,815)	$ (23,738)
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation	10	35
Stock-based compensation	2,250	2,873
Issuance of common stock in connection with vesting of restricted stock units	5	—
Amortization of premiums and discounts on marketable securities	70	(248)
Amortization of right of use lease asset	165	199
Accretion of lease liability	6	30
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	1,317	450
Other assets, noncurrent	(857)	(203)
Accounts payable	(978)	2,207
Accrued expenses and other current liabilities	(1,038)	1,639
Operating lease liabilities	(171)	(227)
Net cash used in operating activities	(10,036)	(16,983)
Cash flows from investing activities:		
Purchases of marketable securities	—	(21,994)
Proceeds from sale of marketable securities	11,650	26,459
Net cash provided by investing activities	11,650	4,465
Cash flows from financing activities:		
Proceed from issuance of common stock, net of issuance costs	—	2,705
Net cash provided by financing activities	—	2,705
Net increase (decrease) in cash and cash equivalents	1,614	(9,813)
Effect of exchange rate changes on cash and cash equivalents	(217)	(17)
Cash and cash equivalents, beginning of period	21,465	32,786
Cash and cash equivalents, end of period	$ 22,862	$ 22,956
Supplemental disclosures of cash flow information:		
Cash paid for taxes	$ —	$ —
Supplemental disclosures of noncash activities:		
Operating lease liabilities arising from obtaining right-of-use assets	$ —	$ —

See accompanying notes to the unaudited interim condensed consolidated financial statements.

GALECTO, INC.
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

1. DESCRIPTION OF BUSINESS, ORGANIZATION AND LIQUIDITY

Business and Organization

Galecto, Inc., together with its consolidated subsidiaries (the "Company" or "Galecto"), is a clinical-stage biotechnology company developing novel therapeutics that are designed to target the biological processes that lie at the heart of fibrotic diseases and cancer. The Company's initial focus is on the development of small molecule inhibitors of galectin-3 and lysyl oxidase-like 2 ("LOXL2"), which play key roles in regulating fibrosis and cancer.

As of June 30, 2024, the Company's wholly owned subsidiaries were PharmAkea, Inc. or PharmAkea, Galecto Securities Corporation, and Galecto Biotech AB, a Swedish company. Galecto Biotech ApS, a Danish operating company, is a wholly-owned subsidiary of Galecto Biotech AB.

Risks and uncertainties

The Company is subject to risks common to companies in the biotechnology industry, including, but not limited to, new technological innovations, protection of proprietary technology, dependence on key personnel, compliance with government regulations and the need to obtain additional financing. Product candidates currently under development will require significant additional research and development efforts, including extensive preclinical and clinical testing and regulatory approval, prior to commercialization. These efforts require significant amounts of additional capital, adequate personnel infrastructure and extensive compliance reporting capabilities.

The Company's product candidates are in development. There can be no assurance that the Company's research and development will be successfully completed, that adequate protection for the Company's intellectual property will be obtained, that any products developed will obtain necessary government regulatory approval or that any approved products will be commercially viable. Even if the Company's product development efforts are successful, it is uncertain when, if ever, the Company will generate significant revenue from product sales. The Company operates in an environment of rapid change in technology and substantial competition from pharmaceutical and biotechnology companies. In addition, the Company is dependent upon the services of its employees and consultants.

In September 2023, the Company undertook an organizational restructuring and determined to conduct a comprehensive exploration of strategic alternatives. The restructuring and pursuit of strategic alternatives involves risks. There can be no assurance that the Company's significantly reduced workforce will be sufficient to pursue the strategic alternatives and the development of the Company's product candidates. Additionally, availability of suitable third parties with which to conduct contemplated strategic transactions may be limited and whether the Company will be able to pursue a strategic transaction, or whether any transaction, if pursued, will be completed on attractive terms or at all is uncertain.

Liquidity and management plans

Since inception, the Company has devoted substantially all its efforts to business planning, research and development, recruiting management and technical staff and raising capital, and has financed its operations primarily through the issuance of redeemable convertible preferred shares, debt financings, the Company's initial public offering ("IPO") and sales of the Company's common stock in "at-the-market" offerings.

As of June 30, 2024, the Company had an accumulated deficit of $266.9 million, from recurring losses since inception in 2011. The Company has incurred recurring losses and has not generated revenue as no products have obtained the necessary regulatory approval in order to market products. The Company expects to continue to incur losses as a result of costs and expenses related to the Company's clinical development and corporate general and administrative activities. The Company had negative cash flows from operating activities during the six months ended June 30, 2024 and 2023 of $10.0 million and $17.0 million, respectively, and current projections indicate that the Company will have continued negative cash flows for the foreseeable future as it continues to fund operating expenses. Net losses incurred for the three and six months ended June 30, 2024 were $5.3 million and $10.8 million, respectively. Net losses incurred for the three and six months ended June 30, 2023 were $10.7 million and $23.7 million, respectively.

As of June 30, 2024, the Company's cash and cash equivalents amounted to $22.9 million and current assets amounted to $25.2 million and current liabilities amounted to $3.7 million. At December 31, 2023, the Company's cash, cash equivalents and marketable securities amounted to $33.2 million, current assets amounted to $36.8 million and current liabilities amounted to $5.8 million.

In September 2023, the Company announced a restructuring plan to reduce the Company's operations to preserve financial resources, resulting in a reduction of the Company's workforce by up to 29 people, or approximately 70% of the Company's then existing headcount. In May 2024, the Company's Board of Directors approved an additional reduction of eight employees in an effort to conserve cash resources. As of June 30, 2024, the Company has incurred $4.5 million in charges relating to these reductions in workforce, consisting primarily of cash-based expenses related to employee severance and notice period payments, benefits and related costs.

Additionally, in September 2023, the Company initiated a process to evaluate strategic alternatives in order to maximize stockholder value. As part of the strategic review process, the Company continues to explore potential strategic alternatives that include, without limitation, a stock or asset acquisition, merger, business combination, liquidation, dissolution or other transaction. The Company is also exploring strategic alternatives related to its product candidates and related assets, including, without limitation, licensing transactions and asset sales. There can be no assurance that the strategic review process will result in the Company pursuing a transaction, or that any transaction, if pursued, will be completed on terms favorable to the Company and its stockholders.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying interim condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP").

The accompanying interim condensed consolidated financial statements as of June 30, 2024 and for the three and six months ended June 30, 2024 and 2023, and related interim information contained within the notes to the interim condensed consolidated financial statements, are unaudited. In management's opinion, the unaudited interim condensed consolidated financial statements have been prepared on the same basis as the Company's audited consolidated financial statements and include all adjustments (including normal recurring adjustments) necessary for the fair presentation of the Company's financial position as of June 30, 2024, results of operations, statement of stockholders' equity for the three and six months ended June 30, 2024 and 2023 and its cash flows for the six months ended June 30, 2024 and 2023. All intercompany balances and transactions have been eliminated. These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023, as filed with the Securities and Exchange Commission ("SEC") on March 8, 2024 ("2023 Consolidated Financial Statements"). The results for the three and six months ended June 30, 2024 are not necessarily indicative of the results expected for the full fiscal year or any interim period.

For the six months ended June 30, 2024, there have been no material changes to the significant accounting policies as disclosed in Note 2 to the 2023 Consolidated Financial Statements.

Recently issued accounting standards

The Company periodically reviews new accounting standards that are issued and has not identified any new standards that it believes merit further discussion or would have a significant impact on its financial statements.

3. INVESTMENTS

Cash in excess of the Company's immediate requirements is invested in accordance with the Company's investment policy that primarily seeks to maintain adequate liquidity and preserve capital.

The Company had no available-for-sale investments as of June 30, 2024. A summary of the Company's available-for-sale investments as of December 31, 2023 consisted of the following (in thousands):

	At December 31, 2023			
Marketable securities:	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Corporate bonds	$ 11,720	$ —	$ (34)	$ 11,686
Total	$ 11,720	$ —	$ (34)	$ 11,686

4. PROPERTY AND EQUIPMENT, NET

Property and equipment as of June 30, 2024 consisted of the following (in thousands):

	June 30, 2024	December 31, 2023
Equipment	$ 106	$ 107
Less: accumulated depreciation	(39)	(29)
Equipment, net	$ 67	$ 78

Depreciation expense for the three and six months ended June 30, 2024 was $5,000 and $10,000, respectively. Depreciation expense for the three and six months ended June 30, 2023 was $17,000 and $35,000, respectively.

5. FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value are performed in a manner to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Company classified its money market funds within Level 1 because their fair values are based on their quoted market prices. The Company classified its debt securities within Level 2 because their fair values are determined using alternative pricing sources or models that utilized market observable inputs.

A summary of the assets that are measured at fair value as of June 30, 2024 and December 31, 2023 is as follows (in thousands):

		Fair Value Measurement at June 30, 2024		
Assets:	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds[(1)]	$ 12,734	$ 12,734	$ —	$ —
Debt securities	—	—	—	—
Total	$ 12,734	$ 12,734	$ —	$ —

		Fair Value Measurement at December 31, 2023		
Assets:	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds[(1)]	$ 13,610	13,610	—	—
Debt securities	11,686	—	11,686	—
Total	$ 25,296	$ 13,610	$ 11,686	$ —

(1)Money market funds with maturities of 90 days or less at the date of purchase are included within cash and cash equivalents in the accompanying condensed consolidated balance sheets and are recognized at fair value.

6. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following (in thousands):

	June 30, 2024	December 31, 2023
Research and development tax credit receivable	$ 1,442	$ 1,438
Prepaid insurance costs	301	774
Value-added tax refund receivable	279	280
Contract research and development costs	121	1,046
Other	163	85
Total prepaid expenses and other current assets	$ 2,306	$ 3,623

7. LEASES

The Company has the following operating leases:

Location	Primary Use	Lease Expiration Date	Renewal Option
Copenhagen, Denmark	Corporate headquarters	November 2024	None

The Company has no finance leases and has elected to apply the short-term lease exception to all leases of one year or less. Rent expense for the three and six months ended June 30, 2024 was $0.1 million and $0.2 million, respectively. Rent expense for the three and six months ended June 30, 2023 was $0.1 million and $0.3 million, respectively.

Quantitative information regarding the Company's leases for the three and six months ended June 30, 2024 and 2023 was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
Lease Cost	2024	2023	2024	2023
Operating lease cost (in thousands)	$ 47	$ 139	$ 143	$ 276
Other Information				
Operating cash flows paid for amounts included in the measurement of lease liabilities (in thousands)	$ 48	$ 125	$ 140	$ 273
Operating lease liabilities arising from obtaining right-of-use assets (in thousands)	$ —	$ —	$ —	$ 409

As of June 30, 2024 and December 31, 2023, the weighted average remaining lease term for operating leases was 0.4 years and 0.9 years, respectively.

As of June 30, 2024 and December 31, 2023, the weighted average discount rate for operating leases was 8% for both periods.

Operating lease liabilities at June 30, 2024 are as follows (in thousands):

Future Lease Payments	Operating Leases
2024 (excluding the period ended June 30, 2024)	$ 80
2025	—
2026	—
2027	—
2028	—
Total lease payments	80
Less: imputed interest	(3)
Total lease liabilities	$ 77

8. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following (in thousands):

	June 30, 2024	December 31, 2023
Employee compensation costs	$ 1,264	$ 987
Restructuring costs	820	1,734
Contract research and development costs	118	685
Operating lease liabilities, current	77	183
Other liabilities	706	539
Total accrued expenses and other current liabilities	$ 2,985	$ 4,128

9. COMMITMENTS AND CONTINGENCIES

During the three and six months ended June 30, 2024, there were no material changes to the Company's commitments and contingencies as disclosed in Note 9 of the 2023 Consolidated Financial Statements. Further, the Company's commitments related to lease agreements are disclosed in Note 7 to the Company's unaudited interim condensed consolidated financial statements.

10. STOCK-BASED COMPENSATION

Employee equity plan

In March 2020, the Company's Board of Directors and stockholders approved the 2020 Stock Option and Grant Plan ("2020 Plan"). Holders of stock options under the 2020 Plan shall be entitled to exercise the vested portion of the stock option during the term of the grant. If a qualified exit, as defined in the 2020 Plan, occurs before the stock option vests, then all of the holders' unvested options shall vest immediately.

In October 2020, the Company's Board of Directors and stockholders approved the 2020 Equity Incentive Plan ("2020 Equity Plan"). Following the adoption of the 2020 Equity Plan, no further options are available to be issued under the 2020 Plan. Stock-based awards granted under the 2020 Equity Plan generally vest over a four-year period and expire ten years from the grant date. Shares available for grant under the 2020 Equity Plan will cumulatively increase by 5 percent of the number of shares of common stock issued and outstanding on January 1st each year until 2030. At June 30, 2024, the Company had 3,024,020 shares available for future grant under the 2020 Equity Plan.

The following table sets forth the activity for the Company's stock options during the six months ended June 30, 2024:

	Number of Options	Weighted-average exercise price per share	Weighted-average remaining contractual term (in years)	Aggregate intrinsic value
Outstanding at December 31, 2023	6,886,889	$ 4.58	6.7	$ —
Granted	108,000	0.49	—	—
Cancelled	(1,439,703)	4.22	—	—
Outstanding at June 30, 2024	5,555,186	$ 4.59	6.7	$ —
Vested and expected to vest at June 30, 2024	5,270,540	$ 4.55	6.7	$ —
Vested and exercisable at June 30, 2024	4,420,549	$ 5.05	6.3	$ —

The weighted-average grant date fair value of all stock-based awards granted for the six months ended June 30, 2024 was $0.38 per share. The intrinsic value at June 30, 2024 and December 31, 2023 was based on the closing price of the Company's common stock on these dates of $0.47 and $0.72 per share, respectively.

In November 2022, the Company's Board of Directors approved the 2022 Inducement Plan (the "Inducement Plan"), which allows for the grant of equity awards to be made to a new employee where the equity award is a material inducement to an employee entering into employment with the Company. The Inducement Plan was adopted by the Company's Board of Directors without stockholder approval pursuant to Nasdaq Listing Rule 5635(c)(4). A total of 250,000 shares of the Company's common stock have been reserved for issuance under the Inducement Plan. As of June 30, 2024, no shares have been issued under the Inducement Plan.

Restricted stock units

In January 2024, the Company granted 855,000 restricted stock units, or RSUs, to its employees under the 2020 Equity Plan. The weighted average grant date fair value of the time-based RSUs was $0.71 for the six months ended June 30, 2024.The RSUs vest 33% after one-year from the grant date and 17% every six-months thereafter. For the three and six months ended June 30, 2024, the Company recognized $47,000 and $94,000 expense related to the RSUs, respectively.

The following table sets forth the activity for the Company's RSUs during the six months ended June 30, 2024:

	Restricted Stock Units	Weighted-average grant date fair value
Total nonvested units at December 31, 2023	—	$ —
Granted	855,000	0.71
Vested	(17,499)	0.71
Cancelled	(132,501)	0.71
Total nonvested units at June 30, 2024	705,000	$ 0.71

Stock-based compensation

The grant date fair value of stock-based awards vested during the six months ended June 30, 2024 and 2023 was $2.2 million and $3.5 million, respectively. Total unrecognized compensation expense related to unvested options granted under the Company's stock-based compensation plan was $2.6 million at June 30, 2024, which is expected to be recognized over a weighted average period of 1.5 years. The Company recorded stock-based compensation expense related to the issuance of stock as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Research and development	$ 188	$ 686	$ 817	$ 1,370
General and administrative	703	753	1,433	1,503
Total stock-based compensation	$ 891	$ 1,439	$ 2,250	$ 2,873

The Company uses a Black-Scholes option pricing model to determine fair value of its stock options. The Black-Scholes option pricing model includes various assumptions, including the fair value of common shares, expected life of stock options, the expected volatility based on the historical volatility of a publicly traded set of peer companies and the expected risk-free interest rate based on the implied yield on a U.S. Treasury security.

The fair values of the options granted were estimated using the following assumptions:

	Six Months Ended June 30,	
	2024	2023
Risk-free interest rate	4.2%	3.8%
Expected term (in years)	5.3	6.0
Expected volatility	99.3%	91.0%
Expected dividend yield	—	—

11. RESTRUCTURING ACTIVITIES

In September 2023, the Company's Board of Directors approved a restructuring plan (the "Restructuring Plan") to reduce the Company's operating costs and better align its workforce with the needs of its business. The Restructuring Plan eliminated approximately 70% of the Company's workforce. In May 2024, the Company's Board of Directors approved an additional reduction of eight employees in an effort to conserve cash resources (the "May RIF").

Employees affected by the Restructuring Plan and the May RIF obtained involuntary termination benefits pursuant to a one-time benefit arrangement. For employees who have no requirements to provide future service, the Company recognized the liability for the termination benefits in full at fair value at the time of termination. For employees who are required to render services beyond a minimum retention period to receive their one-time termination benefits, the Company recognized the termination benefits ratably

over their future service periods. For the Restructuring Plan, the Company recorded employee termination benefit charges during the year ended December 31, 2023 of $3.4 million and has included them as operating expenses in the Condensed Consolidated Statements of Operations and Comprehensive Loss. For the May RIF, the Company recorded employee termination benefit charges during the three and six months ended June 30, 2024 of $1.0 million and has included them as operating expenses in the Condensed Consolidated Statements of Operations and Comprehensive Loss.

Restructuring costs pertaining to the Restructuring Plan and the May RIF consist of the following (in thousands):

	Six Months Ended June 30, 2024
Balance at December 31, 2022	$ —
Restructuring expenses incurred	3,448
Payments	(1,593)
Non-cash charges	(121)
Balance at December 31, 2023	1,734
Restructuring expenses incurred	968
Payments	(1,882)
Balance at June 30, 2024	$ 820

The Company incurred an impairment charge related to a leased facility of $0.03 million during the year ended December 31, 2023 resulting from the Restructuring Plan.

In September 2023, the Board of Directors approved arrangements designed to provide that the Company will have the continued dedication and commitment of its remaining employees, including executives, determined to be key to the Company's planned go-forward operations. The Board of Directors approved, and management implemented, a retention program for employees remaining with the Company which includes cash retention bonuses totaling $1.2 million for certain retained employees, provided that they remain within the Company through various requisite service periods. As a result, these cash retention bonuses are being accrued over the requisite service period. With respect to the CEO of the Company, he is only entitled to a cash bonus upon the achievement of certain corporate and strategic milestones for the Company. During the period ended June 30, 2024, the Company's retention accrual was $0.5 million. During the year ended December 31, 2023, the Company's retention accrual was $0.4 million.

12. INCOME TAXES

As a result of the Company's history of net operating losses ("NOL"), the Company continues to maintain a full valuation allowance against its domestic net deferred tax assets. For the three and six months ended June 30, 2024, the Company recognized an income tax expense of $0.04 million, primarily due to foreign income tax expense.

13. NET LOSS PER SHARE

Basic and diluted net loss per share is calculated as follows (in thousands except share and per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net loss	$ (5,338)	$ (10,744)	$ (10,815)	$ (23,738)
Weighted-average number of shares used in computing net loss per common share, basic and diluted	27,115,536	26,375,076	27,114,116	26,025,929
Net loss per common share, basic and diluted	$ (0.20)	$ (0.41)	$ (0.40)	$ (0.91)

The following outstanding potentially dilutive securities have been excluded from the calculation of diluted net loss per share, as their effect is anti-dilutive:

	Six Months Ended June 30,	
	2024	2023
Stock options to purchase common stock	5,555,186	7,670,710
Restricted stock units	705,000	—

14. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the date on which the unaudited interim condensed consolidated financial statements were issued. The Company has concluded that no subsequent events have occurred that require disclosure to the unaudited interim condensed consolidated financial statements.

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

The following information should be read in conjunction with the unaudited interim condensed consolidated financial statements and the notes thereto included in this Quarterly Report on Form 10-Q and the audited consolidated financial statements and notes thereto for the year ended December 31, 2023, and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, filed with the United States Securities and Exchange Commission, or the SEC, on March 8, 2024. This discussion and analysis and other parts of this Quarterly Report contain forward-looking statements based upon current beliefs, plans and expectations that involve risks, uncertainties and assumptions, such as statements regarding our plans, objectives, expectations, intentions and projections. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of several factors, including those set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 and in other SEC filings.

Overview

We are a clinical-stage biotechnology company developing novel small molecule therapeutics that are designed to target the biological processes that lie at the heart of cancer and fibrotic diseases. Our strategy is to focus on diseases without disease-modifying treatment options and where there is a high unmet medical need. We are concentrating on the development of a new class of medicines: small molecule inhibitors of galectin-3 and lysyl oxidase-like 2, or LOXL2, that target underlying biology for the treatment of multi-factorial diseases like cancer and fibrotic diseases.

In September 2023, we announced a corporate restructuring that resulted in a substantial reduction of our workforce and that we have initiated a process to evaluate strategic alternatives. As part of our ongoing strategic review process, we continue to explore potential strategic alternatives that include, without limitation, a stock or asset acquisition, merger, business combination, liquidation, dissolution or other transaction. We are also exploring strategic transactions regarding our product candidates and related assets, including, without limitation, licensing transactions and asset sales. We expect to devote substantial time and resources to exploring strategic alternatives in order to maximize stockholder value. Despite devoting significant efforts to identify and evaluate potential strategic alternatives, there can be no assurance that this strategic review process will result in us pursuing any transaction or that any transaction, if pursued, will be completed on attractive terms or at all. We have not set a timetable for completion of this strategic review process, and our board of directors has not approved a definitive course of action. Additionally, there can be no assurances that any particular course of action, business arrangement or transaction, or series of transactions, will be pursued, successfully consummated or lead to increased stockholder value or that we will make any cash distributions to our stockholders.

GB1211

GB1211 is a selective oral small molecule inhibitor of galectin-3. We believe GB1211 has the potential to treat multiple types of fibrosis and oncology indications.

During the fourth quarter of 2022, we announced topline results from our Phase 1b/2a trial of GB1211 that was focused on safety and effect on liver function and fibrosis biomarkers in patients with decompensated liver cirrhosis. These topline results showed statistically significant reductions in ALT ($p<0.0005$), AST ($p<0.005$) and GGT ($p<0.05$), with encouraging reductions for ALP ($p<0.09$), after 12 weeks of treatment. In this trial, GB1211 exhibited a favorable safety and tolerability profile in patients with decompensated liver cirrhosis.

During the third quarter of 2023, we completed Part A of the GALLANT-1 trial examining GB1211 in combination with atezolizumab, a PD-L1 checkpoint inhibitor, for the treatment of first-line non-small cell lung cancer, or NSCLC. Four patients in Part A of the GALLANT-1 trial (100 mg: three; 200 mg: one) showed a partial response according to RECIST criteria (version 1.1), and three of these four patients continue to receive treatment in the extension phase of the trial. One of these patients who has been receiving treatment for more than 78 weeks with both GB1211 200 mg twice daily and atezolizumab showed a partial response at the week 12, 18, 24, 30, 36, 42, 48, 54, 60, 66, 72 and 78 study visits. As of this patient's week 24 study visit, the observed tumor shrinkage was greater than 70% and has remained at that level through the week 78 study visit. Of the five patients who have been treated for at least six weeks with GB1211 100 mg in combination with atezolizumab, three patients showed a partial response. One of these five patients showed tumor shrinkage of greater than 80% at the week 36, 42, 48, 54, 60, 66 and 72 study visits.

In October 2023, we announced that, as a result of our recently announced strategic alternative process, we do not intend to initiate Part B of the GALLANT-1 trial. Part B of the trial had been designed to evaluate safety and tumor shrinkage and explore tumor response rate based on RECIST criteria (version 1.1), clinical activity and immune biomarkers.

While we do not intend to initiate Part B of the GALLANT-1 trial, we will continue to supply GB1211 at the recommended Phase 2 dose level of 100 mg twice daily in an investigator-initiated Phase 2 trial at Providence Portland Medical Center's Earle A. Chiles Research Institute (EACRI). GB1211 will be administered in combination with the standard therapeutic dose of pembrolizumab (Keytruda®) in patients with unresectable or metastatic melanoma or recurrent or metastatic HNSCC progressing during or after platinum-containing chemotherapy. This trial is designed to evaluate (i) the safety and efficacy of GB1211, Galecto's first-in-class, oral small molecule galectin-3 inhibitor candidate, in combination with pembrolizumab, in metastatic melanoma and HNSCC patients and (ii) whether the addition of GB1211 increases the response rate of pembrolizumab in metastatic melanoma and HNSCC patients. This trial was initiated and enrolled its first patient in the second quarter of 2024.

GB2064

GB2064 is a selective oral small molecule inhibitor of LOXL2 for the treatment of fibrotic diseases, including myelofibrosis. In December 2023, we announced topline results from a Phase 2a trial, or the MYLOX-1 trial, examining GB2064 for the treatment of myelofibrosis. The primary endpoint of this trial was safety and secondary endpoints included measurements of drug levels in the bone marrow and grade of fibrosis, improvement of anemia and/or thrombocytopenia, and assessment of spleen and liver size by MRI. Six out of ten evaluable myelofibrosis patients who received GB2064 monotherapy for at least six months experienced a ≥ 1-grade reduction in collagen fibrosis of the bone marrow, an improvement suggesting that GB2064 could impact the progression of the disease and be disease-modifying. A total of five patients entered the extension phase of the MYLOX-1 trial, of which two patients continue to receive treatment.

Financial Overview

We currently expect our expenses to decrease in the near future due to our decision to stop development of certain of our product candidates and reduce our workforce while we explore strategic alternatives. Our remaining product candidates, GB1211 and GB2064, are in Phase 2 of clinical development. Our ability to generate revenue from product sales sufficient to achieve profitability will depend heavily on the outcome of our exploration of strategic alternatives, as well as partnering and/or funding additional activities in order to achieve the successful development and eventual commercialization of one or more of these product candidates. Our operations to date have been financed primarily from our initial public offering, or IPO, the issuance of common stock through our Open Market Sale Agreement[SM] with Jefferies LLC, as sales agent, to provide for the issuance and sale of up to $50.0 million of our common stock from time to time in "at-the-market" offerings under the Registration Statement and related prospectus, or the ATM Program, the issuance of convertible preferred shares and convertible notes. Since inception, we have had significant operating losses. Our net loss was $5.3 million and $10.8 million for the three and six months ended June 30, 2024, respectively. Our net loss was $10.7 million and $23.7 million for the three and six months ended June 30, 2023, respectively. As of June 30, 2024, we had an accumulated deficit of $266.9 million and $22.9 million in cash and cash equivalents.

Cash used to fund operating expenses is impacted by the timing of when we pay these expenses, as reflected in the change in our prepaid expenses, accounts payable and accrued expenses. We expect our research and development expenses, general and administrative expenses, and capital expenditures will decrease in the near future compared to prior periods due to the recent restructuring announced in connection with our exploration of strategic alternatives. We anticipate that our expenses will increase substantially if, and as, we:

- negotiate and consummate a strategic business transaction;
- advance our fibrosis and oncology product candidates and any future product candidates through clinical development, and, if successful, later-stage clinical trials;
- advance our preclinical development programs into clinical development;
- experience delays or interruptions to preclinical studies, clinical trials, our receipt of services from our third-party service providers on whom we rely, or our supply chain, including delays and economic uncertainty in various global markets caused by geopolitical instability and conflict and economic challenges caused by global health crises such as the COVID-19 pandemic;
- increase the amount of research and development activities to discover and develop product candidates;
- expand our operational, financial and management systems and increase personnel, including personnel to support our clinical development and manufacturing efforts, general and administrative functions and our operations as a public company;

•maintain, expand and protect our intellectual property portfolio; and

•invest in or in-license other technologies or product candidates.

We expect to continue to incur net losses for the foreseeable future. In particular, we expect our expenses to increase if we determine to further our development of, and seek regulatory approvals for, our product candidates, pay fees to outside consultants, lawyers and accountants, and incur other costs associated with being a public company. In addition, if and when we seek and obtain regulatory approval to commercialize any current or future product candidate, we will also incur increased expenses in connection with commercialization and marketing of any such product. Our net losses may fluctuate significantly from quarter-to-quarter and year-to-year, depending on the timing of our clinical trials and our expenditures on other research and development activities.

We expect to continue to incur costs and expenditures in connection with the process of evaluating our strategic alternatives. There can be no assurance, however, that we will be able to successfully consummate any particular strategic transaction. The process of continuing to evaluate these strategic options may be very costly, time-consuming and complex and we have incurred, and may in the future incur, significant costs related to this continued evaluation, such as legal, accounting and advisory fees and expenses and other related charges. A considerable portion of these costs will be incurred regardless of whether any such course of action is implemented or transaction is completed. Any such expenses will decrease the remaining cash available for use in our business. In addition, any strategic business combination or other transactions that we may consummate in the future could have a variety of negative consequences and we may implement a course of action or consummate a transaction that yields unexpected results that adversely affects our business and decreases the remaining cash available for use in our business or the execution of our strategic plan. There can be no assurances that any particular course of action, business arrangement or transaction, or series of transactions, will be pursued, successfully consummated, lead to increased stockholder value, or achieve the anticipated results. Any failure of such potential transaction to achieve the anticipated results could significantly impair our ability to enter into any future strategic transactions and may significantly diminish or delay any future distributions to our stockholders.

Subject to the outcome of our exploration of strategic alternatives, which may materially change any estimates, and based on current estimates of our expenses going forward, we believe that our existing cash and cash equivalents of $22.9 million as of June 30, 2024 will be sufficient to fund our operating expenditures and capital expenditure requirements through at least the next twelve months from the filing date of this Quarterly Report on Form 10-Q. We have based this estimate on assumptions that may prove to be wrong, and we could exhaust our available capital resources sooner than we expect. Our estimates do not include any cash and cash equivalents that will be needed to fund a potential strategic transaction nor our financial needs following the consummation of any strategic transaction and our resource requirements could materially change to the extent we identify and enter into any strategic transaction.

To date, we have not had any products approved for sale and, therefore, have not generated any product revenue. We do not expect to generate any revenues from product sales unless and until we successfully complete development and obtain regulatory approval for one or more of our product candidates. As a result, until such time, if ever, that we can generate substantial product revenue, we expect to finance our cash needs through equity offerings, debt financings or other capital sources, including collaborations, licenses or similar arrangements. However, we may be unable to raise additional funds or enter into such other arrangements when needed or on favorable terms, if at all. Any failure to raise capital as and when needed could have a negative impact on our financial condition and on our ability to pursue our business plans and strategies, including our research and development activities. If we are unable to raise capital, we will need to further delay, reduce or terminate activities to reduce costs beyond the restructuring implemented in September 2023 and May 2024.

Economic uncertainty in various global markets, including the U.S. and Europe, caused by political instability and conflict, such as the ongoing conflict in Ukraine and in Israel, have led to market disruptions, including significant volatility in commodity prices, credit and capital market instability and supply chain interruptions, which have caused record inflation globally. Our business, financial condition and results of operations could be materially and adversely affected by further negative impact on the global economy and capital markets resulting from these global economic conditions, particularly if such conditions are prolonged or worsen.

Although, to date, our business has not been materially impacted by these global economic and geopolitical conditions, it is impossible to predict the extent to which our operations will be impacted in the short and long term, or the ways in which such instability could impact our business and results of operations. The extent and duration of these market disruptions, whether as a result of the military conflict between Russia and Ukraine and effects of the Russian sanctions, current armed conflict in Israel and the Gaza Strip, geopolitical tensions, record inflation or otherwise, are impossible to predict, but could be substantial. Any such disruptions may also magnify the impact of other risks described in this report.

Components of Operating Results

Operating Expenses

Our operating expenses since inception have consisted primarily of research and development expenses and general and administrative costs.

Research and Development

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

- personnel costs, which include salaries, benefits and stock-based compensation expense;
- expenses incurred under agreements with consultants, and third-party contract organizations that conduct research and development activities on our behalf;
- costs related to sponsored research service agreements;
- costs related to production of preclinical and clinical materials, including fees paid to contract manufacturers;
- laboratory and vendor expenses related to the execution of preclinical studies and planned clinical trials;
- laboratory supplies and equipment used for internal research and development activities; and
- acquired in-process research and development programs.

We expense all research and development costs in the periods in which they are incurred, including for acquired in-process research and development. Costs for certain research and development activities are recognized based on an evaluation of the progress to completion of specific tasks using information and data provided to us by our vendors and third-party service providers.

We have historically met the requirements to receive a tax credit in Denmark of up to $0.8 million per year for losses resulting from research and development costs of up to approximately $3.6 million per year. The tax credit is reported as a reduction to research and development expense in the condensed consolidated statements of operations. We recorded a tax credit of $0.8 million during both six month periods ended June 30, 2024 and 2023. We anticipate that we will be eligible to receive this credit in 2024 and 2025.

We have qualified for the R&D Expenditure Credit (RDEC) in United Kingdom for preclinical laboratory and in-patient clinical trials. The RDEC net tax benefit is reported in the consolidated statements of operations. We recorded a overall reduction for the RDEC, net of the UK corporation tax rate of $0.07 million during the six months ended June 30, 2024. There was no RDEC recorded during the three and six months ended June 30, 2023. We anticipate that we will be eligible to receive this credit in 2024.

Our direct research and development expenses are not currently tracked on a program-by-program basis. We use our personnel and infrastructure resources across multiple research and development programs directed toward identifying and developing product candidates.

We anticipate that our research and development expenses will decrease in the near future compared to prior periods due to our planned reduced clinical efforts and the restructuring announced in connection with our exploration of strategic alternatives.

Because of the numerous risks and uncertainties associated with product development and the current stage of development of our product candidates and programs, we cannot reasonably estimate or know the nature, timing and estimated costs necessary to complete the remainder of the development of our product candidates or programs. We are also unable to predict if, when, or to what extent we will obtain approval and generate revenues from the commercialization and sale of our product candidates. The duration, costs and timing of preclinical studies and clinical trials and development of our product candidates will depend on a variety of factors, including:

- successful completion of our preclinical studies and our Phase 2 clinical trials for our current fibrosis and oncology product candidates and any clinical trials for future product candidates;

•data from our clinical programs that support an acceptable risk-benefit profile of our product candidates in the intended patient populations;

•acceptance by the FDA, regulatory authorities in Europe, Medicines and Healthcare products Regulatory Agency, or MHRA, Health Canada or other regulatory agencies of the IND applications, clinical trial applications and/or other regulatory filings for GB2064, GB1211 and any future product candidates;

•successful application for and receipt of marketing approvals from applicable regulatory authorities;

•obtainment and maintenance of intellectual property protection and regulatory exclusivity for our product candidates;

•arrangements with third-party manufacturers for, or establishment of, commercial manufacturing capabilities;

•establishment of sales, marketing and distribution capabilities and successful launch of commercial sales of our products, if and when approved, whether alone or in collaboration with others;

•acceptance of our products, if and when approved, by patients, the medical community and third-party payors;

•effective competition with other therapies; obtainment and maintenance of coverage, adequate pricing and adequate reimbursement from third-party payors, including government payors;

•maintenance, enforcement, defense and protection of our rights in our intellectual property portfolio;

•avoidance of infringement, misappropriation or other violations with respect to others' intellectual property or proprietary rights; and

•maintenance of a continued acceptable safety profile of our products following receipt of any marketing approvals.

We may never succeed in achieving regulatory approval for any of our product candidates. We may obtain unexpected results from our preclinical studies and clinical trials. We may elect to discontinue, delay or modify clinical trials of some product candidates or focus on others. A change in the outcome of any of these factors could mean a significant change in the costs and timing associated with the development of our current and future preclinical and clinical product candidates. For example, if the FDA or another regulatory authority were to require us to conduct clinical trials beyond those that we currently anticipate will be required for the completion of clinical development, or if we experience significant delays in execution of or enrollment in any of our preclinical studies or clinical trials, we could be required to expend significant additional financial resources and time on the completion of preclinical and clinical development.

Depending on the results of the strategic alternatives being pursued, research and development activities may continue to account for a significant portion of our operating expenses in the future. However, we expect our research and development expenses to decrease in the near future compared to prior periods due to our planned reduced clinical efforts and the restructuring announced in connection with our exploration of strategic alternatives. Product candidates in later stages of clinical development generally incur higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials. As a result, we expect that if we choose to pursue further development and testing of our product candidates, our research and development expenses will increase as our product candidates advance into later stages of clinical development. However, we do not believe that it is possible at this time to accurately project total program-specific expenses through commercialization. There are numerous factors associated with the successful commercialization of any of our product candidates, including future trial design and various regulatory requirements, many of which cannot be determined with accuracy at this time based on our stage of development.

General and Administrative Expenses

Our general and administrative expenses consist primarily of personnel costs, depreciation expense and other expenses for outside professional services, including legal, human resources, audit and accounting services and facility-related fees not otherwise included in research and development expenses. Personnel costs consist of salaries, benefits and stock-based compensation expense, for our personnel in executive, finance and accounting, business operations and other administrative functions. We anticipate that our general and administrative expenses will decrease in the near future compared to prior periods due to the restructuring announced in connection with our exploration of strategic alternatives. We do expect to incur significant costs, however, related to our exploration of strategic alternatives, including legal, accounting and advisory expenses and other related charges. These costs cannot be determined with accuracy at this time.

Restructuring Costs

Our restructuring costs consist primarily of expenses related to employee severance and notice period payments, benefits and related costs and other expenses including non-cash stock-based compensation expense related to the accelerated vesting of certain share-based awards, lease commitments and legal expenses. We anticipate that our restructuring costs will decrease in the near future compared to the current period due to the majority of the restructuring charges being incurred in the period ended June 30, 2024 and December 31, 2023 and that the execution of our restructuring plan was substantially complete.

Other Income (Expense), Net

Our other income (expense), net is comprised of:

- Interest income: The interest income earned on our cash, cash equivalents and marketable securities is recorded in our statements of operations.
- Foreign exchange: The functional currency of our subsidiaries in Denmark and Sweden is the Euro. Transactions denominated in currencies other than the Euro result in exchange gains and losses that are recorded in our consolidated statements of operations.

Results of Operations

Comparison of the Three Months Ended June 30, 2024 and 2023

The following sets forth our results of operations for the three months ended June 30, 2024 and 2023:

	Three Months Ended June 30,		Change	
	2024	2023	Amount	Percent
	(in thousands)			
Operating expenses				
Research and development	$ 1,834	$ 8,089	$ (6,255)	-77.3%
General and administrative	2,775	3,070	(295)	-9.6%
Restructuring costs	968	-	968	100.0%
Total operating expenses	$ 5,577	$ 11,159	$ (5,582)	-50.0%
Loss from operations	(5,577)	(11,159)	5,582	-50.0%
Other income, net	281	415	(134)	-32.3%
Loss before income tax expense	(5,296)	(10,744)	5,448	-50.7%
Income tax expense	42	—	42	100.0%
Net loss	$ (5,338)	$ (10,744)	5,406	-50.3%

Research and development expenses

Research and development expenses were comprised of:

	Three Months Ended June 30,		Change	
	2024	2023	Amount	Percent
	(in thousands)			
Personnel	$ 711	$ 2,538	$ (1,827)	-72.0%
Preclinical studies and clinical trial-related activities	458	3,345	(2,887)	-86.3%
Chemistry, manufacturing and control	105	603	(498)	-82.6%
Consultants and other costs	560	1,603	(1,043)	-65.1%
Total research and development expenses	$ 1,834	$ 8,089	$ (6,255)	-77.3%

Research and development expenses were $1.8 million for the three months ended June 30, 2024, compared to $8.1 million for the three months ended June 30, 2023. The decrease of $6.3 million was primarily related to decreased clinical trial-related expenses of $2.9 million due to discontinued clinical trial activities and decreased chemistry, manufacturing and control costs of $0.5 million, decreased personnel costs of $1.8 million and decreased consulting related costs and other research and development costs of $1.0 million.

General and administrative expenses

General and administrative expenses were $2.8 million for the three months ended June 30, 2024, compared to $3.1 million for the three months ended June 30, 2023. The decrease of $0.3 million was primarily related to decreased personnel costs of $0.5 million and decreased net other general administrative costs of $0.1 million, offset by increased legal costs relating to our exploration of strategic alternatives of $0.3 million.

Restructuring costs

Restructuring costs were $1.0 million for the three months ended June 30, 2024. There were no restructuring costs for the three months ended June 30, 2023. The increase was primarily related to employee severance and notice period payments, benefits and related costs.

Other income (expense), net

Other income (expense), net for the three months ended June 30, 2024 was $0.3 million, compared to $0.4 million for the three months ended June 30, 2023. The decrease of $0.1 million was primarily due to decreased interest income, net resulting from lower investable balances, offset by increased foreign exchange transaction gain, net.

Comparison of the Six Months Ended June 30, 2024 and 2023

The following sets forth our results of operations for the six months ended June 30, 2024 and 2023:

	Six Months Ended June 30,		Change	
	2024	2023	Amount	Percent
		(in thousands)		
Operating expenses				
Research and development	$ 4,297	$ 18,451	$ (14,154)	-76.7%
General and administrative	6,053	6,200	(147)	-2.4%
Restructuring costs	968	—	968	100.0%
Total operating expenses	$ 11,318	$ 24,651	$ (13,333)	-54.1%
Loss from operations	(11,318)	(24,651)	13,333	-54.1%
Other income, net	545	913	(368)	-40.3%
Loss before income tax expense	(10,773)	(23,738)	12,965	-54.6%
Income tax expense	42	-	42	100.0%
Net loss	$ (10,815)	$ (23,738)	$ 12,923	-54.4%

Research and development expenses

Research and development expenses were comprised of:

	Six Months Ended June 30,		Change	
	2024	2023	Amount	Percent
		(in thousands)		
Personnel	$ 1,985	$ 5,066	$ (3,081)	-60.8%
Preclinical studies and clinical trial-related activities	886	8,291	(7,405)	-89.3%
Chemistry, manufacturing and control	290	1,563	(1,273)	-81.4%
Consultants and other costs	1,136	3,531	(2,395)	-67.8%
Total research and development expenses	$ 4,297	$ 18,451	$ (14,154)	-76.7%

Research and development expenses were $4.3 million for the six months ended June 30, 2024, compared to $18.5 million for the six months ended June 30, 2023. The decrease of $14.2 million was primarily related to decreased clinical trial-related expenses of $7.4 million due to discontinued clinical trial activities and decreased chemistry, manufacturing and control costs of $1.3

million, decreased personnel costs of $3.1 million and decreased consulting related costs and other research and development costs of $2.4 million.

General and administrative expenses

General and administrative expenses were $6.1 million for the six months ended June 30, 2024, compared to $6.2 million for the six months ended June 30, 2023. The decrease of $0.1 million was primarily related to decreased personnel costs of $0.6 million and decreased net other general administrative costs of $0.2 million, offset by increased legal increased legal costs relating to our exploration of strategic alternatives of $0.7 million.

Restructuring costs

Restructuring costs were $1.0 million for the six months ended June 30, 2024. There were no restructuring costs for the six months ended June 30, 2023. The increase was primarily related to employee severance and notice period payments, benefits and related costs.

Other income (expense), net

Other income (expense), net for the six months ended June 30, 2024 was $0.5 million, compared to $0.9 million for the six months ended June 30, 2023. The decrease of $0.4 million was primarily due to decreased interest income, net resulting from lower investable balances.

Liquidity and Capital Resources

Sources of Liquidity

Our operations to date have been financed primarily through our IPO, the issuance of common stock through our ATM Program, the issuance of convertible preferred shares and convertible notes. Since inception, we have had significant operating losses. On November 2, 2020, we completed our IPO in which we raised $86.3 million in net proceeds. On November 4, 2021, we filed with the SEC, and the SEC declared effective on November 12, 2021, a registration statement on Form S-3, or the Registration Statement, which registers the offering, issuance and sale of up to $200.0 million of our common stock, preferred stock, debt securities, warrants, subscription rights and/or units of any combination thereof. Simultaneous with the filing of the Registration Statement, we entered into the ATM Program. During the three and six months ended June 30, 2024, we had no sales under the ATM Program. During the three and six months ended June 30, 2023, we sold an aggregate of 1,348,425 shares and 1,369,507 shares, respectively, of our common stock under the ATM Program at a weighted average selling price of $2.09 per share and $2.07 per share, respectively.

Our net losses were $5.3 million and $10.8 million for the three and six months ended June 30, 2024, respectively. Our net losses were $10.7 million and $23.7 million for the three and six months ended June 30, 2023, respectively. As of June 30, 2024, we had an accumulated deficit of $266.9 million and $22.9 million in cash and cash equivalents. Our primary use of cash is to fund operating expenses, which consist primarily of research and development expenditures, and to a lesser extent, general and administrative expenditures. Cash used to fund operating expenses is impacted by the timing of when we pay these expenses, as reflected in the change in our outstanding accounts payable and accrued expenses.

Cash Flows

The following table summarizes our cash flows for the periods indicated:

	Six Months Ended June 30,	
	2024	2023
	(in thousands)	
Net cash used in operating activities	$ (10,036)	$ (16,983)
Net cash provided by investing activities	11,650	4,465
Net cash provided by financing activities	—	2,705
Net increase (decrease) in cash and cash equivalents	$ 1,614	$ (9,813)

Net Cash Used in Operating Activities

Cash used in operating activities of $10.0 million during the six months ended June 30, 2024 was primarily attributable to our net loss of $10.8 million together with non-cash items of $2.5 million principally with respect to stock-based compensation and a net decrease of $1.7 million in components of our working capital.

Cash used in operating activities of $17.0 million during the six months ended June 30, 2023 was primarily attributable to our net loss of $23.7 million together with non-cash items of $2.9 million principally with respect to stock-based compensation and a net increase of $3.8 million in components of our working capital.

Net Cash Provided by Investing Activities

Cash provided by investing activities of $11.7 million during the six months ended June 30, 2024 was the result of proceeds from the sale of marketable securities.

Cash used in investing activities of $4.5 million during the six months ended June 30, 2023 was the result of $26.5 million in proceeds from the sale of marketable securities, offset by $22.0 million for the purchase of marketable securities.

Net Cash Provided by Financing Activities

We had no financing activities for the six months ended June 30, 2024. Cash provided by financing activities of $2.7 million during six months ended June 30, 2023 was the result of net proceeds from the issuance of our common stock.

Funding Requirements

We currently expect our expenses to decrease in the near future due to our decision to stop development of certain of our product candidates and reduce our workforce while we explore strategic alternatives, however, some of these savings will be offset by an increase in legal, accounting and advisory expenses and other related charges related to our exploration of strategic alternatives. Our primary uses of capital are, and we expect will continue to be, compensation and related expenses; costs related to third-party clinical research, manufacturing and development services; laboratory expenses and costs for related supplies; clinical costs; manufacturing costs; legal and other regulatory expenses and general overhead costs. Subject to the outcome of our exploration of strategic alternatives which may materially change any estimates, and based on current estimates of our expenses going forward, we believe that our existing cash and cash equivalents of $22.9 million as of June 30, 2024 will be sufficient to fund our operating expenditures and capital expenditure requirements through at least the next twelve months from the filing date of this Quarterly Report on Form 10-Q. We have based this estimate on assumptions that may prove to be wrong, and we could exhaust our available capital resources sooner than we expect. Our estimates do not include any cash and cash equivalents that will be needed to fund a potential strategic transaction nor our financial needs following the consummation of any strategic transaction. Our resource requirements could materially change to the extent we identify and enter into any strategic transaction. Because our resource requirements could materially change depending on the outcome of our ongoing strategic alternative review process, we are unable to estimate the exact amount of our working capital requirements. Our future funding requirements will depend on and could increase significantly as a result of many known and unknown factors, including those mentioned above.

Any product candidates we may develop may never achieve commercialization and we anticipate that we will continue to incur losses for the foreseeable future. Until such time, if ever, as we can generate substantial product revenue and subject to our pursuit of a potential strategic transaction and the consummation of such potential transaction, we expect to finance our future operations through our existing cash and cash equivalents and through a combination of equity offerings, including sales under our ATM Program, debt financings, collaborations, strategic alliances, marketing and distribution arrangements, and/or licensing arrangements. Other than funds which can be raised through our ATM Program, which is subject to the limitations of Section 1.B.6 of Form S-3 preventing us from raising more than one-third of our public float on a 12-month rolling basis, we do not currently have any committed external source of funds. To the extent that we raise additional capital through the sale of equity or convertible debt securities, our stockholders' ownership interest will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect our stockholders' rights as a common stockholder. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making acquisitions or capital expenditures or declaring dividends. If we raise additional funds through collaborations, strategic alliances, marketing and distribution arrangements, or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us. If we resume the development of our product candidates and are unable to raise additional funds through equity or debt financings or other arrangements when needed, we may be required to delay, limit, reduce or terminate our research, product development or future commercialization efforts, or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

Because of the numerous risks and uncertainties associated with research, development and commercialization of pharmaceutical products, we are unable to estimate the exact amount of our operating capital requirements. Our future funding requirements, both near-term and long-term, will depend on many factors, including, but not limited to:

- the timing and outcome of our exploration of potential strategic alternatives;
- our financial requirements following any strategic transaction;
- the initiation, progress, timing, costs and results of preclinical studies and clinical trials for our product candidates, including GB1211, GB2064 and any our other product candidates we develop in the future;
- the clinical development plans we establish for these product candidates;
- the scope, progress, results and costs of discovery, research, preclinical development, laboratory testing and clinical trials for our current and future product candidates;
- the impacts of rising inflation and interest rates, geopolitical instability, changes in international trade relationships and conflicts;
- the number of, and development requirements for, other product candidates that we develop;
- the timelines of our clinical trials and the overall costs to finish clinical trials due to geopolitical instability and conflict;
- the outcome, timing and cost of meeting regulatory requirements established by the FDA, EMA and other comparable foreign regulatory authorities;
- our ability to enter into contract manufacturing arrangements for supply of active pharmaceutical ingredient and manufacture of our product candidates, and the terms of such arrangements;
- whether we are able to enter into and maintain collaboration agreements, including the terms of and timing of payments under any such agreements;
- the cost of filing, prosecuting, defending and enforcing our patent claims and other intellectual property rights;
- the cost of defending intellectual property disputes, including patent infringement actions brought by third parties against us or our product candidates;
- the extent to which we acquire or in-license other products, product candidates, or technologies;
- the ability to receive additional non-dilutive funding, including grants from organizations and foundations;
- the effect of competing clinical, technological and market developments;
- the cost and timing of completion of commercial-scale outsourced manufacturing activities;
- changes in economic conditions, lower consumer confidence and volatile equity capital markets; and
- the costs of continuing to operate as a public company.

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

Critical Accounting Policies and Significant Judgments and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our unaudited interim condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these unaudited interim condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the related disclosures of assets and liabilities at the date of the unaudited interim condensed consolidated financial statements, as well as the reported expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, and the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

Research and Development Costs

We incur substantial expenses associated with clinical trials. Accounting for clinical trials relating to activities performed by contract research organizations, or CROs, contract manufacturing organizations, or CMOs, and other external vendors requires management to exercise significant estimates in regard to the timing and accounting for these expenses. We estimate costs of research and development activities conducted by service providers, which include, the conduct of sponsored research, preclinical studies and contract manufacturing activities. The diverse nature of services being provided under CRO and other arrangements, the different compensation arrangements that exist for each type of service and the lack of timely information related to certain clinical activities complicates the estimation of accruals for services rendered by CROs, CMOs and other vendors in connection with clinical trials. We record the estimated costs of research and development activities based upon the estimated amount of services provided by the CRO, CMOs and other vendors but not yet invoiced and include these costs in the accrued and other current liabilities or prepaid expenses on the balance sheets and within research and development expense on the condensed consolidated statements of operations. In estimating the duration of a clinical study, we evaluate the start-up, treatment and wrap-up periods, compensation arrangements and services received attributable to each clinical trial and fluctuations are regularly tested against payment plans and trial completion assumptions.

We estimate these costs based on factors such as estimates of the work completed and budget provided and in accordance with agreements established with our collaboration partners and third-party service providers. We make significant judgments and estimates in determining the accrued liabilities and prepaid expense balances in each reporting period. As actual costs become known, we adjust our accrued liabilities or prepaid expenses. We have not experienced any material differences between accrued costs and actual costs incurred since our inception.

Our expenses related to clinical trials are based on estimates of patient enrollment and related expenses at clinical investigator sites as well as estimates for the services received and efforts expended pursuant to contracts with multiple research institutions and CROs that may be used to conduct and manage clinical trials on our behalf. We generally accrue expenses related to clinical trials based on contracted amounts applied to the level of patient enrollment and activity. If timelines or contracts are modified based upon changes in the clinical trial protocol or scope of work to be performed, we modify our estimates of accrued expenses accordingly on a prospective basis.

Stock-based Compensation

We have issued stock-based compensation awards through the granting of stock options and restricted stock units, which generally vest over a four-year period. We account for stock-based compensation in accordance with ASC 718, *Compensation-Stock Compensation*, or ASC 718. In accordance with ASC 718, compensation cost is measured at estimated fair value and is included as compensation expense over the vesting period during which service is provided in exchange for the award.

We use a Black-Scholes option pricing model to determine fair value of our stock options. The Black-Scholes option pricing model includes various assumptions, including the fair value of common shares, expected life of stock options, the expected volatility based on the historical volatility of a publicly traded set of peer companies and the expected risk-free interest rate based on the implied yield on a U.S. Treasury security. These assumptions reflect our best estimates, but they involve inherent uncertainties based on market conditions generally outside our control. As a result, if other assumptions had been used, stock-based compensation cost could have been materially impacted. Furthermore, if we use different assumptions for future grants, share-based compensation cost could be materially impacted in future periods.

The fair value of our awards in the six months ended June 30, 2024 has been estimated using Black-Scholes based on the following assumptions: expected term of 5.3 years; expected volatility of 99.3%; risk-free interest rate of 4.2%; and no expectation of dividends. The fair value of our awards in the six months ended June 30, 2023 has been estimated using Black-Scholes based on the following assumptions: expected term of 6.0 years; expected volatility of 91.0%; risk-free interest rate of 3.8%; and no expectation of dividends.

We will continue to use judgment in evaluating the assumptions utilized for our stock-based compensation expense calculations on a prospective basis. In addition to the assumptions used in the Black-Scholes model, the amount of stock-based compensation expense we recognize in our consolidated financial statements includes stock option forfeitures as they occurred. We recognize forfeitures as they occur, and the compensation expense is reversed in the period that the forfeiture occurs.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating losses and tax credit

carry forwards. Deferred tax assets and liabilities are measured using enacted statutory tax rates expected to apply to taxable income in the jurisdictions and years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Based on the level of historical operating results and projections for the taxable income for the future, we have determined that it is more likely than not that our net deferred tax assets will not be realized. Accordingly, we have recorded a full valuation allowance to reduce our net deferred tax assets.

We recognize tax benefits from uncertain tax positions only if (based on the technical merits of the position) it is more likely than not that the tax positions will be sustained on examination by the tax authority. The tax benefits recognized in the financial statements from such positions are measured based on the largest amount that is more than 50% likely to be realized upon ultimate settlement. We do not believe there will be any material changes in our unrecognized tax positions over the next 12 months. We have not incurred any interest or penalties. In the event we are assessed interest or penalties at some point in the future, they will be classified in our financial statements as a component of income tax expense.

We operate in multiple jurisdictions, both within and outside the United States, and may be subject to audits from various tax authorities. Management's judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities, liabilities for uncertain tax positions, and any valuation allowance recorded against our net deferred tax assets. We will monitor the extent to which our deferred tax assets may be realized and adjust the valuation allowance accordingly.

Recently Adopted Accounting Pronouncements

Refer to Note 2, "Summary of Significant Accounting Policies," in the accompanying notes to our consolidated financial statements for the six months ended June 30, 2024 and 2023 appearing elsewhere in this Quarterly Report on Form 10-Q for a discussion of recent accounting pronouncements.

Nasdaq Delisting Notice

On September 27, 2023, we received a written notice from the staff of Nasdaq's Listing Qualifications Department, notifying us that, for the prior 30 consecutive business days, the bid price for our common stock had closed below the $1.00 per share minimum bid price requirement for continued listing on Nasdaq pursuant to Nasdaq Listing Rule 5450(a)(1), or the Minimum Bid Price Requirement. In accordance with Nasdaq Listing Rule 5810(c)(3)(A), we have 180 calendar days, or until March 25, 2024, to regain compliance with the Minimum Bid Price Requirement. On March 26, 2024, Nasdaq notified the Company that it had granted the Company an additional 180 calendar day period, or until September 23, 2024, to regain compliance with the Bid Price Requirement. Nasdaq's determination was based on, among other things, (1) the Company meeting the continued listing requirement for market value of publicly held shares and all other initial listing requirements for The Nasdaq Capital Market, with the exception of the Bid Price Requirement, and (2) the Company's written notice of its intention to cure the deficiency by effecting a reverse stock split, if necessary. If we fail to satisfy the continued listing requirements of Nasdaq, such as the Minimum Bid Price Requirement, Nasdaq may take steps to delist our common stock. Such a delisting would likely have a negative effect on the price of our common stock and may, among other things, adversely impact our ability to raise additional capital or enter into strategic transactions. See "Part II - Item 1A. Risk Factors" for additional information.

Emerging Growth Company and Smaller Reporting Company Status

As an emerging growth company, or EGC, under the Jumpstart our Business Startups Act of 2012, or the JOBS Act, we may delay the adoption of certain accounting standards until such time as those standards apply to private companies. Other exemptions and reduced reporting requirements under the JOBS Act for EGCs include presentation of only two years of audited consolidated financial statements in a registration statement for an IPO, an exemption from the requirement to provide an auditor's report on internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act, an exemption from any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation, and less extensive disclosure about our executive compensation arrangements.

In addition, the JOBS Act provides that an EGC can take advantage of an extended transition period for complying with new or revised accounting standards. This provision allows an EGC to delay the adoption of some accounting standards until those standards would otherwise apply to private companies. We have elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our condensed consolidated financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

We may remain classified as an EGC until the end of the fiscal year following the fifth anniversary of the completion of our IPO, although if the market value of our common stock that is held by non-affiliates exceeds $700 million as of June 30 of any year before that time, or if we have annual gross revenues of $1.235 billion or more in any fiscal year, we would cease to be an EGC as of December 31 of the applicable year. We also would cease to be an EGC if we issue more than $1.0 billion of non-convertible debt over a three-year period.

We are also a "smaller reporting company," meaning that the market value of our shares held by non-affiliates is less than $700 million and our annual revenue was less than $100 million during the most recently completed fiscal year. We may continue to be a smaller reporting company if either (i) the market value of our shares held by non-affiliates is less than $250 million or (ii) our annual revenue was less than $100 million during the most recently completed fiscal year and the market value of our shares held by non-affiliates is less than $700 million. If we are a smaller reporting company at the time, we cease to be an emerging growth company, we may continue to rely on exemptions from certain disclosure requirements that are available to smaller reporting companies. Specifically, as a smaller reporting company, we may choose to present only the two most recent fiscal years of audited financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 and, similar to emerging growth companies, smaller reporting companies have reduced disclosure obligations regarding executive compensation.

Effects of Inflation

Our assets are primarily monetary, consisting of cash and cash equivalents. Because of their liquidity, these assets are not directly affected by inflation. Since we intend to retain and continue to use our equipment, furniture, fixtures and office equipment, computer hardware and software and leasehold improvements, we believe that the incremental inflation related to replacement costs of such items will not materially affect our operations. However, the rate of inflation affects our expense and use of our resources. We continue to monitor the impact of inflation on these costs in order to minimize its effects through productivity improvements and cost reductions. There can be no assurance, however, that our operating results will not be affected by inflation in the future.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are a smaller reporting company as defined by Item 10 of Regulation S-K and are not required to provide the information otherwise required under this item.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and our principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2024. Based on the evaluation of our disclosure controls and procedures as of June 30, 2024, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2024.

The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act are recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial and accounting officer, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and our management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

We are not party to any material legal matters or claims. We may become party to legal matters and claims arising in the ordinary course of business. We cannot predict the outcome of any such legal matters or claims, and despite the potential outcomes, the existence thereof may have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 1A. Risk Factors.

In addition to the other information set forth in this report, you should carefully consider the risk factors discussed in Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, which could materially affect our business, financial condition, or results of operations. There have been no material changes in or additions to the risk factors referred to in the previous sentence.

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

Use of proceeds from registered securities

On November 2, 2020, we completed our IPO in which we issued and sold 6,342,207 shares of common stock, $0.00001 par value per share, including 675,540 shares of common stock sold pursuant to the underwriters' exercise of their option to purchase additional shares of common stock. The offer and sale of the shares in the IPO was registered under the Securities Act pursuant to registration statements on Form S-1 (File No. 333-249369), which was filed with the SEC on October 7, 2020 and subsequently amended and declared effective on October 28, 2020, or the Prospectus. The underwriters of the offering were BofA Securities, Inc., SVB Leerink LLC, Credit Suisse Securities (USA) LLC and Kempen & Co U.S.A, Inc.

We raised $86.3 million in net proceeds after deducting underwriting discounts and commissions of $6.7 million and other offering expenses of $2.1 million payable by us. No underwriting discounts and commissions or offering expenses were paid directly or indirectly to any of our directors of officers (or their associates) or persons owning ten percent or more of any class of our equity securities or to any other affiliates.

As of June 30, 2024, $66.8 million of the net proceeds from our IPO have been used for general working capital purposes, including the funding of our clinical development programs. We have invested the unused net proceeds from the offering in money market accounts and marketable debt securities. We expect to use the net proceeds from the offering described in our final prospectus filed pursuant to Rule 424(b)(4) under the Securities Act with the SEC on October 30, 2020, to fund our clinical development programs, including GB1211 and GB2064, as well as pursue strategic alternatives that include, without limitation, an acquisition, merger, business combination or other transactions, as well as exploring strategic alternatives related to our product candidates and related assets, including, without limitation, licensing transactions and asset sales.

Issuer Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

On August 7, 2024, the Board of Directors of Galecto, Inc. (the "Company") and Jonathan Freve, the Company's Chief Financial Officer and Treasurer, mutually agreed that Mr. Freve's last day with the Company would be August 12, 2024. On the same day, the Board of Directors of the Company approved the appointment of Lori Firmani, the Company's current Vice President,

Finance, as the Company's interim Chief Financial Officer and Treasurer, as well as the Company's principal financial officer and principal accounting officer, effective as of August 12, 2024.

The Company's Board of Directors agreed to (i) pay Mr. Freve a one-time lump sum payment of $400,000 and (ii) fully accelerate the vesting of Mr. Freve's 100,000 restricted stock units, both upon the execution of a separation agreement and release of claims reasonably acceptable to the Company.

Ms. Firmani, age 51, has served as the Company's Vice President, Finance and Corporate Controller since November 2020. Prior to that, Ms. Firmani served as Chief Financial Officer of Spring Bank Pharmaceuticals, Inc. from April 2020 until its acquisition in November 2020, and prior to that served in financial roles of increasing responsibility from January 2016 to April 2020. Ms. Firmani is a certified public accountant in the Commonwealth of Massachusetts and holds an MBA from Babson College and a BS in accounting from the State University of New York at Geneseo.

Ms. Firmani has no direct or indirect material interest in any transaction required to be disclosed pursuant to Item 404(a) of Regulation S-K promulgated under the Securities Exchange Act of 1934, as amended, nor are any such transactions currently proposed. There are no family relationships between Ms. Firmani and any director or executive officer of the Company.

Item 6. Exhibits.

Exhibit Number	Description
10.1*#	Employment Agreement between Galecto, Inc. and Garrett Winslow, dated April 12, 2021.
10.2*#	Retention Compensation Agreement between Galecto, Inc. and Garrett Winslow, dated October 19, 2023.
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.
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.
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.
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

# Indicates management contract or any compensatory plan, contract or arrangement.

† This certification will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent specifically incorporated by reference into such filing.

SIGNATURES

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

Galecto, Inc.

Date: August 12, 2024	By:	/s/ Hans T. Schambye **Hans T. Schambye, M.D., Ph.D.** **President, Chief Executive Officer and Director** **(Principal Executive Officer)**
Date: August 12, 2024	By:	/s/ Jonathan Freve **Jonathan Freve** **Chief Financial Officer** **(Principal Financial and Accounting Officer)**