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

FORM 10-Q

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

For the quarterly period ended June 30, 2023
or

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

Commission File Number: 000-30235

EXELIXIS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**04-3257395**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

1851 Harbor Bay Parkway
Alameda, CA 94502
(650) 837-7000

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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, $.001 Par Value per Share	**EXEL**	**The Nasdaq Stock Market LLC**

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the 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 July 24, 2023, there were 318,380,785 shares of the registrant's common stock outstanding.

EXELIXIS, INC.
QUARTERLY REPORT ON FORM 10-Q
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 30, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 464,480	$ 501,195
Short-term investments	802,335	807,273
Trade receivables, net	232,818	214,784
Inventory	28,635	33,299
Prepaid expenses and other current assets	62,259	62,211
Total current assets	1,590,527	1,618,762
Long-term investments	838,615	756,731
Property and equipment, net	115,004	110,624
Deferred tax assets, net	231,115	231,110
Goodwill	63,684	63,684
Right-of-use assets and other	303,523	290,578
Total assets	$ 3,142,468	$ 3,071,489
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 25,994	$ 32,667
Accrued compensation and benefits	68,213	77,158
Accrued clinical trial liabilities	59,260	65,072
Rebates and fees due to customers	52,486	50,350
Accrued collaboration liabilities	22,960	20,188
Other current liabilities	110,704	78,924
Total current liabilities	339,617	324,359
Long-term portion of deferred revenues	6,724	6,582
Long-term portion of operating lease liabilities	194,694	190,170
Other long-term liabilities	73,495	61,951
Total liabilities	614,530	583,062
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Preferred stock, $0.001 par value, 10,000 shares authorized and no shares issued	—	—
Common stock, $0.001 par value; 400,000 shares authorized; issued and outstanding: 320,253 and 323,951 at June 30, 2023, and December 31, 2022, respectively	320	324
Additional paid-in capital	2,530,869	2,536,849
Accumulated other comprehensive loss	(14,437)	(14,521)
Retained earnings (Accumulated deficit)	11,186	(34,225)
Total stockholders' equity	2,527,938	2,488,427
Total liabilities and stockholders' equity	$ 3,142,468	$ 3,071,489

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

EXELIXIS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenues:				
Net product revenues	$ 409,646	$ 347,044	$ 773,046	$ 657,342
License revenues	52,747	57,526	91,039	89,593
Collaboration services revenues	7,455	14,857	14,551	28,472
Total revenues	469,848	419,427	878,636	775,407
Operating expenses:				
Cost of goods sold	17,705	13,481	32,020	26,684
Research and development	232,570	199,481	466,816	356,152
Selling, general and administrative	141,723	122,759	273,120	225,622
Total operating expenses	391,998	335,721	771,956	608,458
Income from operations	77,850	83,706	106,680	166,949
Interest income	22,541	4,757	42,043	6,579
Other income (expense), net	(5)	45	(59)	209
Income before income taxes	100,386	88,508	148,664	173,737
Provision for income taxes	19,208	17,836	27,458	34,492
Net income	$ 81,178	$ 70,672	$ 121,206	$ 139,245
Net income per share:				
Basic	$ 0.25	$ 0.22	$ 0.37	$ 0.43
Diluted	$ 0.25	$ 0.22	$ 0.37	$ 0.43
Weighted-average common shares outstanding:				
Basic	324,205	321,117	324,312	320,349
Diluted	327,305	324,904	326,792	324,096

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

EXELIXIS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net income	$ 81,178	$ 70,672	$ 121,206	$ 139,245
Other comprehensive income (loss):				
Net unrealized gains (losses) on available-for-sale debt securities, net of tax impact of $1,512, $639, $5 and $2,295, respectively	(5,148)	(2,252)	84	(8,159)
Comprehensive income	$ 76,030	$ 68,420	$ 121,290	$ 131,086

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

EXELIXIS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(unaudited)

	Three Months Ended June 30, 2023					
	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
	Shares	Amount				
Balance at March 31, 2023	324,985	$ 325	$ 2,558,297	$ (9,289)	$ 5,803	$ 2,555,136
Net income	—	—	—	—	81,178	81,178
Other comprehensive loss	—	—	—	(5,148)	—	(5,148)
Issuance of common stock under equity incentive and stock purchase plans	1,876	2	10,245	—	—	10,247
Stock transactions associated with taxes withheld on equity awards	—	—	(10,822)	—	—	(10,822)
Repurchases of common stock	(6,608)	(7)	(52,012)	—	(75,795)	(127,814)
Stock-based compensation	—	—	25,161	—	—	25,161
Balance at June 30, 2023	320,253	$ 320	$ 2,530,869	$ (14,437)	$ 11,186	$ 2,527,938

	Three Months Ended June 30, 2022					
	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at March 31, 2022	320,268	$ 320	$ 2,448,130	$ (6,665)	$ (147,934)	$ 2,293,851
Net income	—	—	—	—	70,672	70,672
Other comprehensive loss	—	—	—	(2,252)	—	(2,252)
Issuance of common stock under equity incentive and stock purchase plans	1,532	2	10,317	—	—	10,319
Stock transactions associated with taxes withheld on equity awards	—	—	(6,225)	—	—	(6,225)
Stock-based compensation	—	—	24,895	—	—	24,895
Balance at June 30, 2022	321,800	$ 322	$ 2,477,117	$ (8,917)	$ (77,262)	$ 2,391,260

Continued on next page

EXELIXIS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(unaudited)

	Six Months Ended June 30, 2023					
	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2022	323,951	$ 324	$ 2,536,849	$ (14,521)	$ (34,225)	$ 2,488,427
Net income	—	—	—	—	121,206	121,206
Other comprehensive income	—	—	—	84	—	84
Issuance of common stock under equity incentive and stock purchase plans	2,910	3	17,324	—	—	17,327
Stock transactions associated with taxes withheld on equity awards	—	—	(13,345)	—	—	(13,345)
Repurchases of common stock	(6,608)	(7)	(52,012)	—	(75,795)	(127,814)
Stock-based compensation	—	—	42,053	—	—	42,053
Balance at June 30, 2023	320,253	$ 320	$ 2,530,869	$ (14,437)	$ 11,186	$ 2,527,938

	Six Months Ended June 30, 2022					
	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2021	318,842	$ 319	$ 2,427,561	$ (758)	$ (216,507)	$ 2,210,615
Net income	—	—	—	—	139,245	139,245
Other comprehensive loss	—	—	—	(8,159)	—	(8,159)
Issuance of common stock under equity incentive and stock purchase plans	2,958	3	15,829	—	—	15,832
Stock transactions associated with taxes withheld on equity awards	—	—	(11,185)	—	—	(11,185)
Stock-based compensation	—	—	44,912	—	—	44,912
Balance at June 30, 2022	321,800	$ 322	$ 2,477,117	$ (8,917)	$ (77,262)	$ 2,391,260

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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

	Six Months Ended June 30,	
	2023	2022
Net income	$ 121,206	$ 139,245
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	12,895	9,266
Stock-based compensation	41,561	44,381
Non-cash lease expense	13,980	6,443
Acquired in-process research and development technology	37,500	1,500
Other, net	(8,176)	2,859
Changes in operating assets and liabilities:		
Trade receivables, net	(18,317)	46,693
Inventory	(12,815)	(8,322)
Prepaid expenses and other assets	8,548	(26,025)
Deferred revenue	(545)	(1,831)
Accrued collaboration liabilities	3,272	(53,263)
Accounts payable and other liabilities	6,277	17,903
Net cash provided by operating activities	205,386	178,849
Cash flows from investing activities:		
Purchases of property, equipment and other	(17,961)	(12,946)
Acquired in-process research and development technology	(38,000)	(5,000)
Purchases of investments	(641,328)	(692,091)
Proceeds from maturities and sales of investments	573,912	500,356
Net cash used in investing activities	(123,377)	(209,681)
Cash flows from financing activities:		
Payments for repurchases of common stock	(124,239)	—
Proceeds from issuance of common stock under equity incentive and stock purchase plans	17,422	15,791
Taxes paid related to net share settlement of equity awards	(13,389)	(11,164)
Net cash provided by (used in) financing activities	(120,206)	4,627
Net decrease in cash and cash equivalents	(38,197)	(26,205)
Cash and cash equivalents at beginning of period	502,677	663,891
Cash and cash equivalents at end of period	$ 464,480	$ 637,686
Supplemental cash flow disclosures:		
Non-cash operating activities:		
Right-of-use assets obtained in exchange for lease obligations	$ 13,584	$ 120,363

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Exelixis, Inc. (Exelixis, we, our or us) is an oncology company innovating next-generation medicines and combination regimens at the forefront of cancer care. Through the commitment of our drug discovery, development and commercialization resources, we have produced four marketed pharmaceutical products, two of which are formulations of our flagship molecule, cabozantinib. We continue to evolve our product portfolio, leveraging our investments, expertise and strategic partnerships, to target an expanding range of tumor types and indications with our clinically differentiated pipeline of small molecules, antibody-drug conjugates and other biotherapeutics.

Sales related to cabozantinib account for the majority of our revenues. Cabozantinib is an inhibitor of multiple tyrosine kinases including MET, AXL, VEGF receptors and RET and has been approved by the U.S. Food and Drug Administration (FDA) and in 69 other countries as of the date of this Quarterly Report on Form 10-Q: as CABOMETYX® (cabozantinib) tablets for advanced renal cell carcinoma (both alone and in combination with Bristol-Myers Squibb Company's OPDIVO® (nivolumab)), for previously treated hepatocellular carcinoma and for previously treated, radioactive iodine-refractory differentiated thyroid cancer; and as COMETRIQ® (cabozantinib) capsules for progressive, metastatic medullary thyroid cancer. For physicians treating these types of cancer, cabozantinib has become or is becoming an important medicine in their selection of effective therapies.

The other two products resulting from our discovery efforts are: COTELLIC® (cobimetinib), an inhibitor of MEK, approved as part of multiple combination regimens to treat specific forms of advanced melanoma and marketed under a collaboration with Genentech, Inc. (a member of the Roche Group) (Genentech); and MINNEBRO® (esaxerenone), an oral, non-steroidal, selective blocker of the mineralocorticoid receptor, approved for the treatment of hypertension in Japan and licensed to Daiichi Sankyo Company, Limited (Daiichi Sankyo).

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements include the accounts of Exelixis and those of our wholly owned subsidiaries. These entities' functional currency is the U.S. dollar. All intercompany balances and transactions have been eliminated.

The accompanying Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the U.S. for interim financial information and pursuant to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission (SEC). Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In our opinion, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation of our financial statements for the periods presented have been included. Operating results for the six months ended June 30, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023 or for any future period. The accompanying Condensed Consolidated Financial Statements and Notes thereto should be read in conjunction with our Consolidated Financial Statements and Notes thereto for the fiscal year ended December 31, 2022, included in Part II, Item 8 of our Annual Report on Form 10-K, filed with the SEC on February 7, 2023 (Fiscal 2022 Form 10-K).

We have adopted a 52- or 53-week fiscal year policy that ends on the Friday closest to December 31st. Fiscal year 2023, which is a 52-week fiscal year, will end on December 29, 2023 and fiscal year 2022, which was a 52-week fiscal year, ended on December 30, 2022. For convenience, references in this report as of and for the fiscal periods ended July 1, 2022, and as of and for the fiscal years ending December 29, 2023 and ended December 30, 2022 are indicated as being as of and for the periods ended June 30, 2022, and the years ending December 31, 2023 and ended December 31, 2022, respectively.

Segment Information

We operate in one business segment that focuses on the discovery, development and commercialization of new medicines for difficult-to-treat cancers. Our Chief Executive Officer, as the chief operating decision-maker, manages and allocates resources to our operations on a total consolidated basis. Consistent with this decision-making process, our Chief Executive Officer uses consolidated, single-segment financial information for purposes of evaluating performance, forecasting future period financial results, allocating resources and setting incentive targets.

All of our long-lived assets are located in the U.S. See “Note 2. Revenues” for enterprise-wide disclosures about sales of products, revenues from major customers and revenues by geographic region.

Use of Estimates

The preparation of the accompanying Condensed Consolidated Financial Statements conforms to accounting principles generally accepted in the U.S., which requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, equity, revenues and expenses and related disclosures. On an ongoing basis, we evaluate our significant estimates. We base our estimates on historical experience and on various other market-specific and other relevant assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ materially from those estimates.

Reclassifications

Certain prior period amounts in the accompanying Condensed Consolidated Financial Statements have been reclassified to conform to the current period presentation. Such reclassifications did not impact previously reported total revenues, income from operations, net income, total assets, total liabilities or total stockholders’ equity.

Significant Accounting Policies

There have been no material changes to our significant accounting policies during the six months ended June 30, 2023, as compared to the significant accounting policies disclosed in “Note 1. Organization and Summary of Significant Accounting Policies” of the “Notes to Consolidated Financial Statements” included in Part II, Item 8 of our Fiscal 2022 Form 10-K.

Recently Adopted Accounting Pronouncements

There were no new accounting pronouncements adopted by us since our filing of the Fiscal 2022 Form 10-K, which could have a significant effect on our Condensed Consolidated Financial Statements.

Recent Accounting Pronouncements Not Yet Adopted

There were no new accounting pronouncements issued since our filing of the Fiscal 2022 Form 10-K, which could have a significant effect on our Condensed Consolidated Financial Statements.

NOTE 2. REVENUES

Revenues consisted of the following (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Product revenues:				
Gross product revenues	$ 563,173	$ 483,073	$ 1,084,495	$ 931,310
Discounts and allowances	(153,527)	(136,029)	(311,449)	(273,968)
Net product revenues	409,646	347,044	773,046	657,342
Collaboration revenues:				
License revenues	52,747	57,526	91,039	89,593
Collaboration services revenues	7,455	14,857	14,551	28,472
Total collaboration revenues	60,202	72,383	105,590	118,065
Total revenues	$ 469,848	$ 419,427	$ 878,636	$ 775,407

The percentage of total revenues by customer who individually accounted for 10% or more of our total revenues were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Affiliates of CVS Health Corporation	17 %	16 %	17 %	16 %
Affiliates of McKesson Corporation	16 %	16 %	16 %	17 %
Affiliates of AmerisourceBergen Corporation	16 %	15 %	16 %	16 %
Accredo Health, Incorporated	12 %	10 %	12 %	9 %
Ipsen Pharma SAS	8 %	15 %	8 %	12 %

The percentage of trade receivables by customer who individually accounted for 10% or more of our trade receivables were as follows:

	June 30, 2023	December 31, 2022
Ipsen Pharma SAS	19 %	20 %
Affiliates of McKesson Corporation	18 %	22 %
Affiliates of AmerisourceBergen Corporation	17 %	18 %
Affiliates of CVS Health Corporation	15 %	18 %
Cardinal Health, Inc.	10 %	11 %

Revenues by geographic region were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
U.S.	$ 416,043	$ 349,615	$ 783,484	$ 663,680
Europe	36,731	62,240	70,265	96,767
Japan	17,074	7,572	24,887	14,960
Total revenues	$ 469,848	$ 419,427	$ 878,636	$ 775,407

Total revenues include net product revenues attributed to geographic regions based on the ship-to location and license and collaboration services revenues attributed to geographic regions based on the location of our collaboration partners' headquarters.

Net product revenues and license revenues are recorded in accordance with Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*. License revenues include the recognition of the portion of milestone payments allocated to the transfer of intellectual property licenses for which it had become probable in the current period that the milestone would be achieved and a significant reversal of revenues would not occur, as well as royalty revenues and our share of profits under our collaboration agreement with Genentech. Collaboration services revenues are recorded in accordance with ASC Topic 808, *Collaborative Arrangements*. Collaboration services revenues include the recognition of deferred revenues for the portion of upfront and milestone payments allocated to our research and development services performance obligations, development cost reimbursements earned under our collaboration agreements, product supply revenues, net of product supply costs and the royalties we pay on sales of products containing cabozantinib by our collaboration partners.

Net product revenues by product were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
CABOMETYX	$ 403,292	$ 339,159	$ 765,065	$ 641,971
COMETRIQ	6,354	7,885	7,981	15,371
Net product revenues	$ 409,646	$ 347,044	$ 773,046	$ 657,342

Product Sales Discounts and Allowances

The activities and ending reserve balances for each significant category of discounts and allowances, which constitute variable consideration, were as follows (in thousands):

	Chargebacks, Discounts for Prompt Payment and Other	Other Customer Credits/Fees and Co-pay Assistance	Rebates	Total
Balance at December 31, 2022	$ 26,881	$ 14,924	$ 35,426	$ 77,231
Provision related to sales made in:				
Current period	197,777	27,990	88,998	314,765
Prior periods	311	(1,113)	(2,514)	(3,316)
Payments and customer credits issued	(204,736)	(27,119)	(84,106)	(315,961)
Balance at June 30, 2023	$ 20,233	$ 14,682	$ 37,804	$ 72,719

The allowance for chargebacks, discounts for prompt payment and other are recorded as a reduction of trade receivables, net, and the remaining reserves are recorded as rebates and fees due to customers in the accompanying Condensed Consolidated Balance Sheets.

Contract Assets and Liabilities

We receive payments from our collaboration partners based on billing schedules established in each contract. Amounts are recorded as accounts receivable when our right to consideration is unconditional. We may also recognize revenue in advance of the contractual billing schedule and such amounts are recorded as a contract asset when recognized. We may be required to defer recognition of revenue for upfront and milestone payments until we perform our obligations under these arrangements, and such amounts are recorded as deferred revenue upon receipt or when due. For those contracts that have multiple performance obligations, contract assets and liabilities are reported on a net basis at the contract level. Contract assets are primarily related to Ipsen Pharma SAS (Ipsen) and contract liabilities are primarily related to deferred revenues from Takeda Pharmaceutical Company Limited (Takeda).

Contract assets and liabilities were as follows (in thousands):

	June 30, 2023	December 31, 2022
Contract assets [1]	$ 1,256	$ 1,659
Contract liabilities:		
Current portion [2]	$ 6,801	$ 7,488
Long-term portion [3]	6,724	6,582
Total contract liabilities	$ 13,525	$ 14,070

[1] Presented in other long-term assets in the accompanying Condensed Consolidated Balance Sheets.
[2] Presented in other current liabilities in the accompanying Condensed Consolidated Balance Sheets.
[3] Presented in the long-term portion of deferred revenues in the accompanying Condensed Consolidated Balance Sheets.

During the six months ended June 30, 2023 and 2022, we recognized $3.6 million and $4.5 million, respectively, in revenues that were included in the beginning deferred revenues balance for those periods.

During the three and six months ended June 30, 2023, we recognized $53.9 million and $91.9 million, respectively, in revenues for performance obligations satisfied in previous periods, as compared to $59.4 million and $91.1 million for the corresponding prior year periods. Such revenues were primarily related to royalty payments allocated to our license performance obligations for our collaborations with Ipsen, Takeda, Daiichi Sankyo and Genentech and the recognition of license revenues for the achievement of certain milestones allocated to the license performance obligations for our collaborations with Ipsen and Takeda.

As of June 30, 2023, $66.3 million of the combined transaction prices for our Ipsen and Takeda collaborations were allocated to research and development services performance obligations that had not yet been satisfied. See “Note 3. Collaboration Agreements and Business Development Activities” of the “Notes to Consolidated Financial Statements” included in Part II, Item 8 of our Fiscal 2022 Form 10-K for additional information about the expected timing to satisfy these performance obligations.

NOTE 3. COLLABORATION AGREEMENTS AND BUSINESS DEVELOPMENT ACTIVITIES

We have established multiple collaborations with leading biopharmaceutical companies for the commercialization and further development of our cabozantinib franchise. Additionally, we have made considerable progress under our existing research collaboration and in-licensing arrangements to further enhance our early-stage pipeline and expand our ability to discover, develop and commercialize novel therapies with the goal of providing new treatment options for cancer patients and their physicians. Historically, we also entered into other collaborations with leading biopharmaceutical companies pursuant to which we out-licensed other compounds and programs in our portfolio.

See “Note 3. Collaboration Agreements and Business Development Activities” of the “Notes to Consolidated Financial Statements” included in Part II, Item 8 of our Fiscal 2022 Form 10-K, as further described below, for additional information on certain of our collaboration agreements and in-licensing arrangements.

Cabozantinib Commercial Collaborations

Ipsen Collaboration

In February 2016, we entered into a collaboration and license agreement with Ipsen for the commercialization and further development of cabozantinib. Under the collaboration and license agreement, as amended, Ipsen received exclusive commercialization rights for current and potential future cabozantinib indications outside of the U.S. and Japan. We have also agreed to collaborate with Ipsen on the development of cabozantinib for current and potential future indications. The parties’ efforts are governed through a joint steering committee and appropriate subcommittees established to guide and oversee the collaboration’s operation and strategic direction; provided, however, that we retain final decision-making authority with respect to cabozantinib’s ongoing development.

Revenues under the collaboration and license agreement, as amended, with Ipsen were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
License revenues	$ 34,018	$ 51,168	$ 63,830	$ 75,782
Collaboration services revenues	2,713	11,072	6,435	20,985
Total collaboration revenues	$ 36,731	$ 62,240	$ 70,265	$ 96,767

As of June 30, 2023, $32.8 million of the transaction price for this collaboration and license agreement, as amended, was allocated to our research and development services performance obligation that has not yet been satisfied.

Takeda Collaboration

In January 2017, we entered into a collaboration and license agreement with Takeda for the commercialization and further development of cabozantinib. Under the collaboration and license agreement, as amended, Takeda received exclusive commercialization rights for current and potential future cabozantinib indications in Japan, and the parties have agreed to collaborate on the clinical development of cabozantinib in Japan. The operation and strategic direction of the parties' collaboration is governed through a joint executive committee and appropriate subcommittees.

Revenues under the collaboration and license agreement, as amended, with Takeda were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
License revenues	$ 11,362	$ 2,700	$ 14,211	$ 5,065
Collaboration services revenues	4,742	3,785	8,116	7,487
Total collaboration revenues	$ 16,104	$ 6,485	$ 22,327	$ 12,552

During the three and six months ended June 30, 2023, we recognized $9.8 million in revenues in connection with a commercial milestone of $11.0 million from Takeda upon their achievement of $150.0 million of cumulative net sales of cabozantinib in Japan.

As of June 30, 2023, $33.4 million of the transaction price for this collaboration and license agreement, as amended, was allocated to our research and development services performance obligations that have not yet been satisfied.

Royalty Pharma

In October 2002, we established a product development and commercialization collaboration agreement with GlaxoSmithKline (GSK), that required us to pay a 3% royalty to GSK on the worldwide net sales of any product incorporating cabozantinib sold by us and our collaboration partners. Effective January 1, 2021, Royalty Pharma plc (Royalty Pharma) acquired from GSK all rights, title and interest in royalties on net product sales containing cabozantinib for non-U.S. markets for the full term of the royalty and for the U.S. market through September 2026, after which time U.S. royalties will revert back to GSK. Royalty fees earned by Royalty Pharma in connection with our sales of cabozantinib are included in cost of goods sold and as a reduction of collaboration services revenues for sales by our collaboration partners. Such royalty fees earned by Royalty Pharma were $17.3 million and $32.6 million during the three and six months ended June 30, 2023, respectively, as compared to $14.6 million and $27.7 million for the corresponding prior year periods.

Research Collaborations, In-Licensing Arrangements and Other Business Development Activities

We enter into collaborative arrangements with other pharmaceutical or biotechnology companies to develop and commercialize drug candidates or intellectual property. Our research collaborations and in-licensing arrangements are intended to enhance our early-stage pipeline and expand our ability to discover, develop and commercialize novel therapies with the goal of providing new treatment options for cancer patients and their physicians. Our research collaborations, in-licensing arrangements and other strategic transactions generally include upfront payments, development, regulatory and commercial milestone payments, and royalty payments, in each case contingent upon the occurrence of certain future

events linked to the success of the asset in development. Certain of our research collaborations provide us exclusive options that give us the right to license programs or acquire the intellectual property developed under the research collaborations for further discovery and development. When we decide to exercise the options, we are required to pay an exercise fee and then assume the responsibilities for all subsequent development, manufacturing and commercialization.

During the three and six months ended June 30, 2023, we recognized $16.9 million and $61.6 million, respectively, within research and development expenses on the Condensed Consolidated Statements of Income, primarily related to development milestones, research and development funding and other fees.

As of June 30, 2023, in conjunction with these collaborative in-licensing arrangements we are subject to potential future development milestones of up to $634.1 million, regulatory milestones of up to $625.4 million and commercial milestones of up to $3.1 billion, each in the aggregate per product or target, as well as royalties on future net sales of products.

NOTE 4. CASH AND INVESTMENTS

Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments consisted of the following (in thousands):

	June 30, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities available-for-sale:				
Commercial paper	$ 646,523	$ —	$ —	$ 646,523
Corporate bonds	828,044	174	(12,050)	816,168
U.S. Treasury and government-sponsored enterprises	413,747	9	(6,359)	407,397
Municipal bonds	11,140	—	(140)	11,000
Total debt securities available-for-sale	1,899,454	183	(18,549)	1,881,088
Money market funds	124,270	—	—	124,270
Certificates of deposit	100,072	—	—	100,072
Total cash, cash equivalents and investments	$ 2,123,796	$ 183	$ (18,549)	$ 2,105,430

	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities available-for-sale:				
Commercial paper	$ 722,018	$ —	$ —	$ 722,018
Corporate bonds	810,439	541	(13,132)	797,848
U.S. Treasury and government-sponsored enterprises	338,218	48	(5,679)	332,587
Municipal bonds	16,385	—	(223)	16,162
Total debt securities available-for-sale	1,887,060	589	(19,034)	1,868,615
Cash	41	—	—	41
Money market funds	94,344	—	—	94,344
Certificates of deposit	103,681	—	—	103,681
Total cash, cash equivalents and investments	$ 2,085,126	$ 589	$ (19,034)	$ 2,066,681

As of December 31, 2022, $1.5 million in certificates of deposit were used to collateralize letters of credit agreements and were classified as other long-term assets based upon the remaining term of the underlying restriction. As of June 30, 2023, there are no restrictions on cash, cash equivalents or investments.

Interest receivable was $11.4 million and $7.3 million as of June 30, 2023 and December 31, 2022, respectively, and is included in prepaid expenses and other current assets in the accompanying Condensed Consolidated Balance Sheets.

Realized gains and losses on the sales of investments were immaterial during the three and six months ended June 30, 2023 and 2022.

We manage credit risk associated with our investment portfolio through our investment policy, which limits purchases to high-quality issuers and the amount of our portfolio that can be invested in a single issuer. The fair value and gross unrealized losses on debt securities available-for-sale in an unrealized loss position were as follows (in thousands):

	June 30, 2023	
	Fair Value	Gross Unrealized Losses
Corporate bonds	$ 761,913	$ (12,050)
U.S. Treasury and government-sponsored enterprises	404,405	(6,359)
Municipal bonds	8,645	(140)
Total	$ 1,174,963	$ (18,549)

	December 31, 2022	
	Fair Value	Gross Unrealized Losses
Corporate bonds	$ 706,711	$ (13,132)
U.S. Treasury and government-sponsored enterprises	308,307	(5,679)
Municipal bonds	15,792	(223)
Total	$ 1,030,810	$ (19,034)

There were 330 and 285 debt securities available-for-sale in an unrealized loss position as of June 30, 2023 and December 31, 2022, respectively. As of June 30, 2023, all securities had been in an unrealized loss position for less than twelve months except for 97 debt securities available-for-sale with an aggregate fair value of $325.5 million and an aggregate $7.1 million unrealized loss. As of December 31, 2022, all securities had been in an unrealized loss position for less than twelve months except for 81 debt securities available-for-sale with an aggregate fair value of $237.6 million and an aggregate $6.1 million unrealized loss. During the six months ended June 30, 2023, we did not record an allowance for credit losses or other impairment charges on our investment securities. Based upon our quarterly impairment review, we determined that the unrealized losses were not attributed to credit risk but were primarily associated with changes in interest rates and market liquidity. Based on the scheduled maturities of our investments, we determined that it was more likely than not that we will hold these investments for a period of time sufficient for a recovery of our cost basis.

The fair values of debt securities available-for-sale by contractual maturity were as follows (in thousands):

	June 30, 2023	December 31, 2022
Maturing in one year or less	$ 1,042,473	$ 1,114,884
Maturing after one year through five years	838,615	753,731
Total debt securities available-for-sale	$ 1,881,088	$ 1,868,615

NOTE 5. FAIR VALUE MEASUREMENTS

Fair value reflects the amounts that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy has the following three levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 - inputs other than level 1 that are observable either directly or indirectly, such as quoted prices in active markets for similar instruments or on industry models using data inputs, such as interest rates and prices that can be directly observed or corroborated in active markets; and

- Level 3 - unobservable inputs that are supported by little or no market activity that are significant to the fair value measurement.

The classifications within the fair value hierarchy of our financial assets that were measured and recorded at fair value on a recurring basis were as follows (in thousands):

	June 30, 2023		
	Level 1	Level 2	Total
Commercial paper	$ —	$ 646,523	$ 646,523
Corporate bonds	—	816,168	816,168
U.S. Treasury and government-sponsored enterprises	—	407,397	407,397
Municipal bonds	—	11,000	11,000
Total debt securities available-for-sale	—	1,881,088	1,881,088
Money market funds	124,270	—	124,270
Certificates of deposit	—	100,072	100,072
Total financial assets carried at fair value	$ 124,270	$ 1,981,160	$ 2,105,430

	December 31, 2022		
	Level 1	Level 2	Total
Commercial paper	$ —	$ 722,018	$ 722,018
Corporate bonds	—	797,848	797,848
U.S. Treasury and government-sponsored enterprises	—	332,587	332,587
Municipal bonds	—	16,162	16,162
Total debt securities available-for-sale	—	1,868,615	1,868,615
Money market funds	94,344	—	94,344
Certificates of deposit	—	103,681	103,681
Total financial assets carried at fair value	$ 94,344	$ 1,972,296	$ 2,066,640

When available, we value investments based on quoted prices for those financial instruments, which is a Level 1 input. Our remaining investments are valued using third-party pricing sources, which use observable market prices, interest rates and yield curves observable at commonly quoted intervals for similar assets as observable inputs for pricing, which is a Level 2 input.

The carrying amount of our remaining financial assets and liabilities, which include cash, receivables and payables, approximate their fair values due to their short-term nature.

Forward Foreign Currency Contracts

We have entered into forward contracts to hedge certain operational exposures for the changes in foreign currency exchange rates associated with assets or liabilities denominated in foreign currencies, primarily the Euro.

As of June 30, 2023, we had one forward contract outstanding to sell €4.5 million. The forward contract with a maturity of three months is recorded at fair value and is included in other current liabilities in the accompanying Condensed Consolidated Balance Sheets. The unrealized loss on the forward contract is immaterial as of June 30, 2023. The forward contract is considered a Level 2 in the fair value hierarchy of our fair value measurements. The net realized gains we recognized on the maturity of forward contracts were immaterial for the three and six months ended June 30, 2023 and 2022. Realized and unrealized gains and losses on our forward contracts are included in other income (expense), net on our Condensed Consolidated Statements of Income.

NOTE 6. INVENTORY

Inventory consisted of the following (in thousands):

	June 30, 2023	December 31, 2022
Raw materials	$ 8,875	$ 8,077
Work in process	51,993	43,564
Finished goods	14,715	10,635
Total	$ 75,583	$ 62,276
Balance Sheet classification:		
Current portion included in inventory	$ 28,635	$ 33,299
Long-term portion included in other long-term assets	46,948	28,977
Total	$ 75,583	$ 62,276

NOTE 7. STOCKHOLDERS' EQUITY

Stock-based Compensation

We have several equity incentive plans under which we granted stock options and restricted stock units (RSUs), including performance-based restricted stock units (PSUs), to employees and directors. As of June 30, 2023, 27,115,890 shares were available for grant under the Exelixis, Inc. 2017 Equity Incentive Plan (as amended and restated, the 2017 Plan). The share reserve is reduced by 1 share for each share issued pursuant to a stock option and 2 shares for full value awards, including RSUs and PSUs.

We allocated the stock-based compensation expense for our equity incentive plans and our Employee Stock Purchase Plan (ESPP) as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Research and development	$ 9,589	$ 9,549	$ 12,841	$ 18,448
Selling, general and administrative	15,311	15,073	28,720	25,933
Total stock-based compensation expense	$ 24,900	$ 24,622	$ 41,561	$ 44,381

Stock-based compensation expense for each type of award under our equity incentive plans and ESPP were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Stock options	$ 1,877	$ 3,493	$ 4,084	$ 7,171
Restricted stock units	19,757	18,928	32,364	32,001
Performance stock units	1,872	1,581	2,666	3,290
ESPP	1,394	620	2,447	1,919
Total stock-based compensation expense	$ 24,900	$ 24,622	$ 41,561	$ 44,381

During the six months ended June 30, 2023, we granted 197,233 stock options with a weighted average exercise price of $19.33 per share and a weighted average grant date fair value of $9.06 per share. Stock options granted during the six months ended June 30, 2023 have vesting conditions and contractual lives of a similar nature to those described in "Note 8. Employee Benefit Plans" of the "Notes to Consolidated Financial Statements" included in Part II, Item 8 of our Fiscal 2022 Form 10-K. As of June 30, 2023, there were 9,573,036 stock options outstanding and $12.7 million of related unrecognized compensation expense.

In April 2023, we awarded to certain employees an aggregate of 849,866 RSUs (the target amount) that are subject to a total shareholder return (TSR) market condition (the 2023 TSR-based RSUs). The TSR market condition is based on our relative TSR percentile rank compared to companies in the NASDAQ Biotechnology Index during the performance period, which is December 31, 2022 through January 2, 2026. Depending on the results relative to the TSR market condition, the holders of the 2023 TSR-based RSUs may earn up to 175% of the target amount of shares. 50% of the shares earned pursuant to the TSR-based RSU awards will vest at the end of the performance period, and the remainder will vest approximately one year later, subject to an employee's continuous service. These 2023 TSR-based RSUs will be forfeited if the market condition at or above a threshold level is not achieved at the end of the performance period on January 2, 2026.

We used a Monte Carlo simulation model and the following assumptions to determine the grant date fair value of $26.05 per share for the 2023 TSR-based RSUs:

Fair value of Exelixis common stock on grant date	$	19.48
Expected volatility		40.26 %
Risk-free interest rate		3.75 %
Dividend yield		— %

The Monte Carlo simulation model assumed correlations of returns of the stock prices of the Company's common stock and the common stock of a peer group of companies and historical stock price volatility of the peer group of companies. The valuation model also used terms based on the length of the performance period and compound annual growth rate goals for TSR based on the provisions of the award.

During the six months ended June 30, 2023, we granted 2,226,214 service-based RSUs with a weighted average grant date fair value of $18.90 per share. As of June 30, 2023, there were 12,502,834 RSUs outstanding, including RSUs that are subject to a TSR market condition, and $199.7 million of related unrecognized compensation expense. Service-based RSUs granted to employees during the six months ended June 30, 2023 have vesting conditions and contractual lives of a similar nature to those described in "Note 8. Employee Benefit Plans" of the "Notes to Consolidated Financial Statements" included in Part II, Item 8 of our Fiscal 2022 Form 10-K.

As of June 30, 2023, there were 4,667,911 PSUs outstanding, of which 1,276,181 PSUs relate to awards that we either achieved the performance goal or determined that attainment of the performance goal was probable. Expense recognition for PSUs commences when it is determined that attainment of the performance goal is probable. As of June 30, 2023, the remaining unrecognized stock-based compensation expense for the PSUs either achieved or deemed probable of achievement was $7.1 million. The total unrecognized compensation expense for the PSUs for which we have not yet determined that attainment of the performance goal is probable was $75.8 million. For more information about our PSUs, see "Note 8. Employee Benefit Plans" of the "Notes to Consolidated Financial Statements" included in Part II, Item 8 of our Fiscal 2022 Form 10-K.

Common Stock Repurchases

In March 2023, our Board of Directors authorized a stock repurchase program to acquire up to $550 million of our outstanding common stock before the end of 2023. During the three and six months ended June 30, 2023, we repurchased 6,607,962 shares of common stock under our stock repurchase program for an aggregate purchase price of $127.0 million. As of June 30, 2023, approximately $423.0 million remained available for future stock repurchases pursuant to our stock repurchase program.

The timing and amount of any stock repurchases under the stock repurchase program will be based on a variety of factors, including ongoing assessments of the capital needs of the business, alternative investment opportunities, the market price of our common stock and general market conditions. Stock repurchases under the program may be made from time to time through a variety of methods, which may include open market purchases, in block trades, accelerated stock repurchase transactions, 10b5-1 trading plans, exchange transactions, or any combination of such methods. The program does not obligate us to acquire any particular amount of our common stock, and the stock repurchase program may be modified, suspended or discontinued at any time without prior notice.

NOTE 8. PROVISION FOR INCOME TAXES

The effective tax rates for the three and six months ended June 30, 2023 were 19.1% and 18.5% respectively, as compared to 20.2% and 19.9% for the corresponding periods in 2022. The effective tax rates for the three and six months ended June 30, 2023, differed from the U.S. federal statutory tax rate of 21% primarily due to the generation of federal tax credits, partially offset by state taxes. The effective tax rates for the three and six months ended June 30, 2022, differed from the U.S. federal statutory tax rate of 21% primarily due to excess tax benefits related to the exercise of certain stock options during the periods and the generation of federal tax credits, partially offset by state taxes.

NOTE 9. NET INCOME PER SHARE

Net income per share - basic and diluted, were computed as follows (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Numerator:				
Net income	$ 81,178	$ 70,672	$ 121,206	$ 139,245
Denominator:				
Weighted-average common shares outstanding — basic	324,205	321,117	324,312	320,349
Dilutive securities	3,100	3,787	2,480	3,747
Weighted-average common shares outstanding — diluted	327,305	324,904	326,792	324,096
Net income per share — basic	$ 0.25	$ 0.22	$ 0.37	$ 0.43
Net income per share — diluted	$ 0.25	$ 0.22	$ 0.37	$ 0.43

Dilutive securities included outstanding stock options, unvested RSUs (including TSR-based RSUs), PSUs and ESPP contributions.

Certain potential common shares were excluded from our calculation of weighted-average common shares outstanding — diluted because either they would have had an anti-dilutive effect on net income per share or they were related to shares from PSUs that were contingently issuable and the contingency had not been satisfied at the end of the reporting period. The weighted-average potential common shares excluded from our calculation were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Anti-dilutive securities and contingently issuable shares excluded	13,757	14,350	14,674	15,436

NOTE 10. COMMITMENTS AND CONTINGENCIES

Leases

In May 2023, in connection with the commencement of our lease of laboratory facilities located in Pennsylvania, we recognized a right-of-use asset and an operating lease liability of $13.2 million. We estimated the lease term to be 60 months taking into consideration our early termination rights.

Legal Proceedings

MSN I ANDA Litigation

In September 2019, we received a notice letter regarding an Abbreviated New Drug Application (ANDA) submitted to the FDA by MSN Pharmaceuticals, Inc. (individually and collectively with certain of its affiliates, including MSN Laboratories Private Limited, referred to as MSN), requesting approval to market a generic version of CABOMETYX tablets.

MSN's initial notice letter included a Paragraph IV certification with respect to our U.S. Patents No. 8,877,776 (salt and polymorphic forms), 9,724,342 (formulations), 10,034,873 (methods of treatment) and 10,039,757 (methods of treatment), which are listed in the Approved Drug Products with Therapeutic Equivalence Evaluations, also referred to as the Orange Book, for CABOMETYX. MSN's initial notice letter did not provide a Paragraph IV certification against U.S. Patents No. 7,579,473 (composition of matter) or 8,497,284 (methods of treatment), each of which is listed in the Orange Book. On October 29, 2019, we filed a complaint in the United States District Court for the District of Delaware (the Delaware District Court) for patent infringement against MSN asserting infringement of U.S. Patent No. 8,877,776 arising from MSN's ANDA filing with the FDA. On November 20, 2019, MSN filed its response to the complaint, alleging that the asserted claims of U.S. Patent No. 8,877,776 are invalid and not infringed. On May 5, 2020, we received notice from MSN that it had amended its ANDA to include additional Paragraph IV certifications. In particular, the May 5, 2020 amended ANDA requested approval to market a generic version of CABOMETYX tablets prior to expiration of two previously unasserted CABOMETYX patents: U.S. Patents No. 7,579,473 and 8,497,284. On May 11, 2020, we filed a complaint in the Delaware District Court for patent infringement against MSN asserting infringement of U.S. Patents No. 7,579,473 and 8,497,284 arising from MSN's amended ANDA filing with the FDA. Neither of our complaints have alleged infringement of U.S. Patents No. 9,724,342, 10,034,873 and 10,039,757. On May 22, 2020, MSN filed its response to the complaint, alleging that the asserted claims of U.S. Patents No. 7,579,473 and 8,497,284 are invalid and not infringed. On March 23, 2021, MSN filed its First Amended Answer and Counterclaims (amending its prior filing from May 22, 2020), seeking, among other things, a declaratory judgment that U.S. Patent No. 9,809,549 (salt and polymorphic forms) is invalid and would not be infringed by MSN if its generic version of CABOMETYX tablets were approved by the FDA. U.S. Patent No. 9,809,549 is not listed in the Orange Book. On April 7, 2021, we filed our response to MSN's First Amended Answer and Counterclaims, denying, among other things, that U.S. Patent No. 9,809,549 is invalid or would not be infringed. The two lawsuits comprising this litigation (collectively referred to as MSN I), numbered Civil Action Nos. 19-02017 and 20-00633, were consolidated in April 2021.

On October 1, 2021, pursuant to a stipulation between us and MSN, the Delaware District Court entered an order that (i) MSN's submission of its ANDA constitutes infringement of certain claims relating to U.S. Patents No. 7,579,473 and 8,497,284, if those claims are not found to be invalid, and (ii) upon approval, MSN's commercial manufacture, use, sale or offer for sale within the U.S., and importation into the U.S., of MSN's ANDA product prior to the expiration of U.S. Patents No. 7,579,473 and 8,497,284 would also infringe certain claims of each patent, if those claims are not found to be invalid. Then, on October 12, 2021, pursuant to a separate stipulation between us and MSN, the Delaware District Court entered an order dismissing MSN's counterclaims with respect to U.S. Patent No. 9,809,549. In our MSN I complaints, we sought, among other relief, an order that the effective date of any FDA approval of MSN's ANDA be a date no earlier than the expiration of all of U.S. Patents No. 7,579,473, 8,497,284 and 8,877,776, the latest of which expires on October 8, 2030, and equitable relief enjoining MSN from infringing these patents. In an effort to streamline the case, the parties narrowed their assertions. On April 8, 2022, MSN withdrew its validity challenge to U.S. Patent No. 8,877,776. On April 14, 2022, we agreed not to assert U.S. Patent No. 8,497,284 at trial and MSN, correspondingly, agreed to withdraw its validity challenges to U.S. Patent No. 8,497,284, as well as claims 1-4 and 6-7 of U.S. Patent No. 7,579,473. As a result of this narrowing, the trial addressed two issues: (1) infringement of claim 1 of the U.S. Patent No. 8,877,776; and (2) validity of claim 5 of the U.S. Patent No. 7,579,473. A bench trial for MSN I occurred in May 2022, and on January 19, 2023, the Delaware District Court issued a ruling rejecting MSN's invalidity challenge to U.S. Patent No. 7,759,473. The Delaware District Court also ruled that MSN's proposed ANDA product does not infringe U.S. Patent No. 8,877,776 and entered judgment that the effective date of any final FDA approval of MSN's ANDA shall not be a date earlier than August 14, 2026, the expiration date of U.S. Patent No. 7,759,473. Final judgment was entered January 30, 2023. This ruling in MSN I does not impact our separate and ongoing MSN II lawsuit (as defined below).

MSN II ANDA Litigation

On January 11, 2022, we received notice from MSN that it had further amended its ANDA to assert additional Paragraph IV certifications. In particular, the January 11, 2022 amended ANDA requested approval to market a generic version of CABOMETYX tablets prior to expiration of three previously-unasserted CABOMETYX patents that are now listed in the Orange Book: U.S. Patents No. 11,091,439 (crystalline salt forms), 11,091,440 (pharmaceutical composition) and 11,098,015 (methods of treatment). On February 23, 2022, we filed a complaint in the Delaware District Court for patent infringement against MSN asserting infringement of U.S. Patents No. 11,091,439, 11,091,440 and 11,098,015 arising from MSN's further amendment of its ANDA filing with the FDA. On February 25, 2022, MSN filed its response to the complaint, alleging that the asserted claims of U.S. Patents No. 11,091,439, 11,091,440 and 11,098,015 are invalid and not infringed. On June 7, 2022, we received notice from MSN that it had further amended its ANDA to assert an additional Paragraph IV certification. As currently amended, MSN's ANDA now requests approval to market a generic version of CABOMETYX tablets prior to expiration of a previously-unasserted CABOMETYX patent that is now listed in the Orange Book: U.S. Patent

No. 11,298,349 (pharmaceutical composition). On July 18, 2022, we filed a complaint in the Delaware District Court for patent infringement against MSN asserting infringement of U.S. Patent No. 11,298,349 arising from MSN's further amendment of its ANDA filing with the FDA. On August 9, 2022, MSN filed its response to the complaint, alleging that the asserted claims of U.S. Patent No. 11,298,349 are invalid and not infringed and amended its challenges to U.S. Patents No. 11,091,439, 11,091,440 and 11,098,015 to allege that these patents are not enforceable based on equitable grounds. The two lawsuits comprising this litigation (collectively referred to as MSN II), numbered Civil Action Nos. 22-00228 and 22-00945, were consolidated in October 2022 and involve Exelixis patents that are different from those asserted in the MSN I litigation described above.

On June 21, 2022, pursuant to a stipulation between us and MSN, the Delaware District Court entered an order that (i) MSN's submission of its ANDA constitutes infringement of certain claims relating to U.S. Patents No. 11,091,439, 11,091,440 and 11,098,015, if those claims are not found to be invalid, and (ii) upon approval, MSN's commercial manufacture, use, sale or offer for sale within the U.S., and importation into the U.S., of MSN's ANDA product prior to the expiration of U.S. Patents No. 11,091,439, 11,091,440 and 11,098,015 would also infringe certain claims of each patent, if those claims are not found to be invalid. In our MSN II complaints, we are seeking, among other relief, an order that the effective date of any FDA approval of MSN's ANDA would be a date no earlier than the expiration of all of U.S. Patents No. 11,091,439, 11,091,440, 11,098,015 and 11,298,349, the latest of which expires on February 10, 2032, and equitable relief enjoining MSN from infringing these patents. A bench trial for MSN II has been scheduled for October 2023.

Teva ANDA Litigation

In May 2021, we received notice letters from Teva Pharmaceutical Industries Limited, Teva Pharmaceuticals Development, Inc. and Teva Pharmaceuticals USA, Inc. (individually and collectively referred to as Teva) regarding an ANDA Teva submitted to the FDA, requesting approval to market a generic version of CABOMETYX tablets. Teva's notice letters included a Paragraph IV certification with respect to our U.S. Patents No. 9,724,342 (formulations), 10,034,873 (methods of treatment) and 10,039,757 (methods of treatment), which are listed in the Orange Book. Teva's notice letters did not provide a Paragraph IV certification against any additional CABOMETYX patents. On June 17, 2021, we filed a complaint in the Delaware District Court for patent infringement against Teva asserting infringement of U.S. Patents No. 9,724,342, 10,034,873 and 10,039,757 arising from Teva's ANDA filing with the FDA. On August 27, 2021, Teva filed its answer and counterclaims to the complaint, alleging that the asserted claims of U.S. Patents No. 9,724,342, 10,034,873 and 10,039,757 are invalid and not infringed. On September 17, 2021, we filed an answer to Teva's counterclaims. On July 29, 2022, we received notice from Teva that it had amended its ANDA to assert an additional Paragraph IV certification. As amended, Teva's ANDA now requests approval to market a generic version of CABOMETYX tablets prior to expiration of a previously-unasserted CABOMETYX patent that is now listed in the Orange Book: U.S. Patent No. 11,298,349 (pharmaceutical composition). On September 2, 2022, we filed a complaint in the Delaware District Court for patent infringement against Teva, asserting infringement of U.S. Patent No. 11,298,349 arising from Teva's amended ANDA filing with the FDA. We are seeking, among other relief, an order that the effective date of any FDA approval of Teva's ANDA be a date no earlier than the expiration of all of U.S. Patents No. 9,724,342, 10,034,873, 10,039,757 and 11,298,349, the latest of which expires on July 9, 2033, and equitable relief enjoining Teva from infringing these patents. On September 30, 2022, the parties filed a stipulation to consolidate the two lawsuits, numbered Civil Action Nos. 21-00871 and 22-01168, and to stay all proceedings, which was granted by the Delaware District Court on October 3, 2022. Following a similar order granted by the Delaware District Court on February 9, 2022 to stay all proceedings with respect to Civil Action No. 21-00871, this case remained administratively closed, and Civil Action No. 22-01168 was administratively closed on October 3, 2022. On July 18, 2023, we entered into a settlement and license agreement (the Teva Settlement Agreement) with Teva to end these litigations. Pursuant to the terms of the Teva Settlement Agreement, we will grant Teva a license to market its generic version of CABOMETYX in the U.S. beginning on January 1, 2031, if approved by the FDA and subject to conditions and exceptions common to agreements of this type.

Cipla ANDA Litigation

On February 6, 2023, we received a notice letter regarding an ANDA submitted to the FDA by Cipla, Ltd. and Cipla USA, Inc. (individually and collectively referred to as Cipla), including a Paragraph IV certification with respect to our U.S. Patents No. 8,877,776 (salt and polymorphic forms), 9,724,342 (formulations), 10,039,757 (methods of treatment), 11,091,439 (crystalline salt forms), 11,091,440 (pharmaceutical composition), 11,098,015 (methods of treatment) and 11,298,349 (pharmaceutical composition). Cipla's notice letter did not provide a Paragraph IV certification against any additional CABOMETYX patents. On March 16, 2023, we filed a complaint in the Delaware District Court for patent infringement against Cipla asserting infringement of U.S. Patents No. 8,877,776, 11,091,439, 11,091,440, 11,098,015 and 11,298,349 arising from Cipla's ANDA filing with the FDA. Cipla's ANDA requests approval to market a generic version of

CABOMETYX tablets prior to the expiration of the aforementioned patents. We are seeking, among other relief, an order that the effective date of any FDA approval of Cipla's ANDA would be a date no earlier than the expiration of all of U.S. Patents No. 8,877,776, 11,091,439, 11,091,440, 11,098,015 and 11,298,349, the latest of which expires on February 10, 2032, and equitable relief enjoining Cipla from infringing these patents. On May 4, 2023, we filed, under seal, a stipulation and proposed order to stay all proceedings, and the Delaware District Court, in a sealed order, granted the proposed order and administratively closed the case.

The sale of any generic version of CABOMETYX earlier than its patent expiration could significantly decrease our revenues derived from the U.S. sales of CABOMETYX and thereby materially harm our business, financial condition and results of operations. It is not possible at this time to determine the likelihood of an unfavorable outcome or estimate of the amount or range of any potential loss.

We may also from time to time become a party or subject to various other legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. Some of these proceedings have involved, and may involve in the future, claims that are subject to substantial uncertainties and unascertainable damages.

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

This Quarterly Report on Form 10-Q contains forward-looking statements. These statements are based on Exelixis, Inc.'s (Exelixis, we, our or us) current expectations, assumptions, estimates and projections about our business and our industry and involve known and unknown risks, uncertainties and other factors that may cause our company's or our industry's results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied in, or contemplated by, the forward-looking statements. Our actual results and the timing of events may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such a difference include those discussed in "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, filed with the Securities and Exchange Commission (SEC) on February 7, 2023 (Fiscal 2022 Form 10-K), as supplemented by Part II, Item 1A of this Quarterly Report on Form 10-Q as well as those discussed elsewhere in this report. These and many other factors could affect our future financial and operating results. We undertake no obligation to update any forward-looking statement to reflect events after the date of this report.

This discussion and analysis should be read in conjunction with our condensed consolidated financial statements and accompanying notes included in this report and the consolidated financial statements and accompanying notes thereto included in the Fiscal 2022 Form 10-K.

Overview

We are an oncology company innovating next-generation medicines and combination regimens at the forefront of cancer care. Through the commitment of our drug discovery, development and commercialization resources, we have produced four marketed pharmaceutical products, two of which are formulations of our flagship molecule, cabozantinib. We continue to evolve our product portfolio, leveraging our investments, expertise and strategic partnerships, to target an expanding range of tumor types and indications with our clinically differentiated pipeline of small molecules, antibody-drug conjugates (ADCs) and other biotherapeutics.

Sales related to cabozantinib account for the majority of our revenues. Cabozantinib is an inhibitor of multiple tyrosine kinases including MET, AXL, VEGF receptors and RET and has been approved by the U.S. Food and Drug Administration (FDA) and in 69 other countries as of the date of this Quarterly Report on Form 10-Q: as CABOMETYX® (cabozantinib) tablets for advanced renal cell carcinoma (RCC) (both alone and in combination with Bristol-Myers Squibb Company's (BMS) OPDIVO® (nivolumab)), for previously treated hepatocellular carcinoma (HCC) and for previously treated, radioactive iodine (RAI)-refractory differentiated thyroid cancer (DTC); and as COMETRIQ® (cabozantinib) capsules for progressive, metastatic medullary thyroid cancer. For physicians treating these types of cancer, cabozantinib has become or is becoming an important medicine in their selection of effective therapies.

The other two products resulting from our discovery efforts are: COTELLIC® (cobimetinib), an inhibitor of MEK, approved as part of multiple combination regimens to treat specific forms of advanced melanoma and marketed under a collaboration with Genentech, Inc. (a member of the Roche Group) (Genentech); and MINNEBRO® (esaxerenone), an oral, non-steroidal, selective blocker of the mineralocorticoid receptor, approved for the treatment of hypertension in Japan and licensed to Daiichi Sankyo Company, Limited.

We plan to continue leveraging our operating cash flows to support the ongoing investigation of cabozantinib in phase 3 trials for new indications and the advancement of a broad array of diverse biotherapeutics and small molecule programs for the treatment of cancer exploring multiple modalities and mechanisms of action. Of the clinical-stage assets that have emerged from our drug discovery and preclinical activities thus far, the furthest along are zanzalintinib, a next-generation oral tyrosine kinase inhibitor (TKI), and XB002, an ADC that targets tissue factor (TF). Both of these assets are next-generation approaches that build on prior clinical experience, which we believe reduces program risk. We are also focused on conserving cash and managing risks of clinical failure by securing options to acquire other investigational drug candidates from third parties if those assets demonstrate evidence of clinical success. Two examples of this approach are: CBX-12 (alphalex™ exatecan), a clinical-stage, first-in-class peptide-drug conjugate (PDC) invented by Cybrexa Therapeutics (Cybrexa) that utilizes Cybrexa's proprietary alphalex technology to enhance the delivery of exatecan, a highly potent, second-generation topoisomerase I inhibitor, to tumor cells; and ADU-1805, a clinical-stage and potentially best-in-class monoclonal antibody developed by Sairopa B.V. (Sairopa) that targets SIRPα.

Cabozantinib Franchise

The FDA first approved CABOMETYX as a monotherapy for previously treated patients with advanced RCC in April 2016, and then for previously untreated patients with advanced RCC in December 2017. In January 2021, the CABOMETYX label was expanded to include first-line advanced RCC in combination with OPDIVO, which was the first CABOMETYX regimen approved for treatment in combination with an immune checkpoint inhibitor (ICI). In addition to RCC, in January 2019, the FDA approved CABOMETYX for the treatment of patients with HCC previously treated with sorafenib, and then in September 2021, the FDA approved CABOMETYX for the treatment of adult and pediatric patients 12 years of age and older with locally advanced or metastatic DTC that has progressed following prior VEGF receptor-targeted therapy and who are RAI-refractory or ineligible.

To develop and commercialize CABOMETYX and COMETRIQ outside the U.S., we have entered into license agreements with Ipsen Pharma SAS (Ipsen) and Takeda Pharmaceutical Company Limited (Takeda). We granted to Ipsen the rights to develop and commercialize cabozantinib outside of the U.S. and Japan, and to Takeda we granted the rights to develop and commercialize cabozantinib in Japan. Both Ipsen and Takeda also contribute financially and operationally to the further global development and commercialization of the cabozantinib franchise in other potential indications, and we work closely with them on these activities. Utilizing its regulatory expertise and established international oncology marketing network, Ipsen has continued to execute on its commercialization plans for CABOMETYX, having received regulatory approvals and launched in multiple territories outside of the U.S., including in the European Union (EU), the United Kingdom and Canada, as a treatment for advanced RCC and for HCC in adults who have previously been treated with sorafenib. In addition, in March 2021, Ipsen and BMS received regulatory approval from the EC for CABOMETYX in combination with OPDIVO as a first-line treatment for patients with advanced RCC, followed by additional regulatory approvals for the combination in other territories beyond the EU. In May 2022, we announced that Ipsen received regulatory approval from the EC for CABOMETYX as a monotherapy for the treatment of adult patients with locally advanced or metastatic, RAI-refractory or ineligible DTC and who have progressed during or after prior systemic therapy, which followed an approval from Health Canada in April 2022 for a similar DTC indication. With respect to the Japanese market, Takeda received Manufacturing and Marketing Approvals in 2020 from the Japanese Ministry of Health, Labour and Welfare (MHLW) of CABOMETYX as a treatment of patients with curatively unresectable or metastatic RCC and as a treatment of patients with unresectable HCC who progressed after cancer chemotherapy. In August 2021, Takeda and Ono Pharmaceutical Co., Ltd., BMS' development and commercialization partner in Japan, received Manufacturing and Marketing Approval from the MHLW of CABOMETYX in combination with OPDIVO as a treatment for unresectable or metastatic RCC.

In addition to our regulatory and commercialization efforts in the U.S. and the support provided to our collaboration partners for rest-of-world regulatory and commercialization activities, we are also pursuing other indications for cabozantinib that have the potential to increase the number of cancer patients who could potentially benefit from this medicine. We are continuing to evaluate cabozantinib in combination with ICIs in late-stage clinical trials that we sponsor across RCC and metastatic castration-resistant prostate cancer (mCRPC). Beyond clinical trials that we or our collaboration partners sponsor, independent investigators also conduct trials evaluating cabozantinib through our Cooperative Research and Development Agreement (CRADA) with the National Cancer Institute's Cancer Therapy Evaluation Program (NCI-CTEP) or our investigator sponsored trial (IST) program. Over time, the data we have obtained from these investigator-sponsored clinical trials have helped advance our development program for the cabozantinib franchise by informing subsequent label-enabling trials, including COSMIC-311, our phase 3 pivotal trial evaluating cabozantinib in previously treated patients with RAI-refractory DTC, from which positive results served as the basis for the FDA's and EC's approvals of CABOMETYX for DTC. Moreover, these data sets may also prove valuable by informing our development plans for zanzalintinib.

Building on preclinical and clinical observations that cabozantinib in combination with ICIs may promote a more immune-permissive tumor environment, we initiated several pivotal studies to further explore these combination regimens. The first of these studies to deliver results was CheckMate -9ER, a phase 3 pivotal trial evaluating the combination of CABOMETYX and OPDIVO compared to sunitinib in previously untreated, advanced or metastatic RCC, and positive results from CheckMate -9ER served as the basis for the FDA's, EC's and MHLW's approvals of CABOMETYX in combination with OPDIVO as a first-line treatment of patients with advanced RCC in January 2021, March 2021 and August 2021, respectively. We are also collaborating with BMS on COSMIC-313, a phase 3 pivotal trial evaluating the triplet combination of cabozantinib, nivolumab and BMS' CTLA-4 ICI, ipilimumab, versus the combination of nivolumab and ipilimumab in patients with previously untreated advanced intermediate- or poor-risk RCC. We announced top-line results from COSMIC-313 in July 2022, and in September 2022 we presented the data at the Presidential Symposium III at the 2022 European Society for Medical Oncology (ESMO) Congress. The trial met its primary endpoint, demonstrating significant improvement in blinded independent radiology committee (BIRC)-assessed progression-free survival (PFS) at the primary analysis for the triplet combination. At a prespecified interim analysis for the secondary endpoint of overall survival (OS), the triplet combination did not demonstrate a significant benefit, and therefore, the trial will continue to the next analysis of OS, expected in the second half of 2023. The safety profile observed in the trial was reflective of the known safety profiles for each single agent, as well as the combination regimens used in this study. Based on feedback from the FDA, we do not intend to submit a supplemental new drug application (sNDA) for the combination regimen based on the currently available data, and we plan to discuss a potential regulatory submission with the FDA when the results of the next OS analysis are available, provided such results are supportive.

To further expand our exploration of combinations with ICIs, we also initiated multiple trials evaluating cabozantinib in combination with F. Hoffmann-La Roche Ltd. (Roche)'s ICI, atezolizumab, beginning in 2017 with COSMIC-021, a broad phase 1b study evaluating the safety and tolerability of the cabozantinib and atezolizumab combination with atezolizumab in patients with a wide variety of locally advanced or metastatic solid tumors. The encouraging efficacy and safety data that emerged from COSMIC-021 have been instrumental in guiding our clinical development strategy for cabozantinib in combination with ICIs. We are currently evaluating the cabozantinib and atezolizumab combination in CONTACT-02, a phase 3 pivotal trial that we sponsor and is co-funded by Roche, which focuses on patients with mCRPC who have been previously treated with one novel hormonal therapy (NHT). We anticipate announcing results of the primary PFS analysis from CONTACT-02 in the second half of 2023. Two other phase 3 trials sponsored by Roche in partnership with us, CONTACT-01, which focused on patients with metastatic non-small cell lung cancer (NSCLC) who have been previously treated with an ICI and platinum-containing chemotherapy, and CONTACT-03, which focused on patients with inoperable, locally advanced or metastatic RCC who have progressed during or following treatment with an ICI as the immediate preceding therapy, did not meet their respective primary endpoints. Detailed findings from CONTACT-01 were presented at the European Lung Cancer Congress in March 2023, and detailed findings from CONTACT-03 were presented at the American Society of Clinical Oncology (ASCO) Annual Meeting in June 2023.

Pipeline Activities

Zanzalintinib

The first compound to enter the clinic following our re-initiation of drug discovery activities in 2017 was zanzalintinib, a next-generation oral TKI that targets VEGF receptors, MET, AXL, MER and other kinases implicated in cancer's growth and spread. In designing zanzalintinib, we sought to build upon our experience with cabozantinib, retaining a similar target profile while improving key characteristics, including the pharmacokinetic half-life. To date, we have initiated two large phase 1b clinical trials studying zanzalintinib: STELLAR-001 and STELLAR-002. STELLAR-001 is a phase 1b clinical trial evaluating zanzalintinib, both as a monotherapy and in combination with atezolizumab. We have established recommended doses for both single-agent zanzalintinib and zanzalintinib in combination with atezolizumab, and we have completed enrollment in expansion cohorts for patients with clear cell RCC, non-clear cell RCC, mCRPC, colorectal cancer (CRC) and hormone-receptor positive breast cancer. We previously presented data from STELLAR-001 during poster sessions at the 2022 ESMO Congress in September 2022, which showed zanzalintinib has demonstrated preliminary clinical activity similar to that observed with cabozantinib in phase 1 across a range of solid tumors and dose levels, with a manageable safety profile. In addition, preliminary efficacy data from the clear cell RCC expansion cohort from STELLAR-001, with a median follow-up of seven months, demonstrated an objective response rate (ORR) of 34% for the full cohort and an ORR of 50% for those patients who had not been previously treated with cabozantinib. We also continue to be encouraged by zanzalintinib's emerging safety profile and plan to submit these data for presentation at an upcoming medical conference, likely later in 2023. STELLAR-002 is a phase 1b clinical trial evaluating zanzalintinib in combination with either nivolumab, nivolumab and ipilimumab, or a fixed-dose combination of nivolumab and BMS' relatlimab. We have established recommended doses for these zanzalintinib combination regimens for use in a diverse array of expansion

cohorts that may include clear cell and non-clear cell RCC, HCC, NSCLC, squamous cell carcinoma of head and neck (SCCHN), urothelial carcinoma, mCRPC and CRC, and patient enrollment into these expansion cohorts is ongoing. To better understand the individual contribution of the therapies, treatment arms in the expansion cohorts may include zanzalintinib as a single agent in addition to the ICI combination regimens.

We also initiated two phase 3 pivotal trials evaluating zanzalintinib in combination with ICIs in 2022. The first trial, STELLAR-303, was initiated in June 2022 and is evaluating zanzalintinib in combination with atezolizumab versus regorafenib in patients with metastatic non-microsatellite instability-high or non-mismatch repair-deficient CRC who have progressed after, or are intolerant to, the current standard of care. We are amending the trial protocol for STELLAR-303 in light of emerging data from other studies evaluating ICI combination regimens (including combinations with TKIs) for CRC patients, which suggest a differentiated benefit for those patients without liver metastases. Accordingly, the trial now aims to enroll approximately 874 patients worldwide, regardless of RAS status, and includes patients with and without liver metastases. Under the amended trial protocol, the primary efficacy endpoint of STELLAR-303 is OS in patients without liver metastases, and secondary efficacy endpoints include OS for the full intent-to-treat population, PFS, ORR and duration of response (DOR) per Response Evaluation Criteria in Solid Tumors (RECIST) v. 1.1, in each case as assessed by the investigator. The second trial, STELLAR-304, was initiated in December 2022 and is evaluating zanzalintinib in combination with nivolumab versus sunitinib in previously untreated patients with advanced non-clear cell RCC. The trial aims to enroll approximately 291 patients at approximately 165 sites globally. The primary efficacy endpoints of STELLAR-304 are PFS and ORR per RECIST v 1.1, in each case as assessed by BIRC. The secondary efficacy endpoint is OS. Beyond STELLAR-303 and STELLAR-304, we intend to initiate additional phase 3 trials and explore a series of early-stage and pivotal trials evaluating zanzalintinib in novel combination regimens across a broad array of future potential indications, including STELLAR-305, a planned phase 3 pivotal trial evaluating zanzalintinib in combination with Merck & Co., Inc.'s ICI, pembrolizumab, in patients with previously untreated, PD-L1 positive, recurrent or metastatic SCCHN.

Biotherapeutics

Much of our drug discovery activity focuses on discovering and advancing various biotherapeutics that have the potential to become anti-cancer therapies, such as bispecific antibodies, ADCs and other innovative treatments. ADCs in particular present a unique opportunity for new cancer treatments, given their capabilities to deliver anti-cancer drug payloads to targets with increased precision while minimizing impact on healthy tissues. This approach has been validated by multiple regulatory approvals for the commercial sale of ADCs in the past several years. Furthest along amongst our biotherapeutics programs is XB002, our lead TF-targeting ADC program, in-licensed from Iconic Therapeutics, Inc. (Iconic), now a wholly owned subsidiary of Endpoint Health, Inc. We are evaluating XB002, both as a single agent and in combination with either nivolumab or Roche's bevacizumab, in JEWEL-101, a phase 1 study in patients with advanced solid tumors for which therapies are unavailable, ineffective or intolerable. In October 2022, we announced promising initial dose-escalation results from JEWEL-101 during the Antibody-drug Conjugates Poster Session at the 34th EORTC-NCI-AACR Symposium. The data demonstrated that XB002 was well-tolerated at multiple dose levels, and a pharmacokinetic analysis confirmed that XB002 was stable with low levels of free payload. We have initiated the cohort-expansion phase of JEWEL-101 for single-agent XB002, which is designed to further explore the selected dose of XB002 in individual tumor cohorts, including forms of NSCLC, cervical cancer, ovarian cancer, endometrial cancer, SCCHN, pancreatic cancer, esophageal cancer, mCRPC, triple negative breast cancer and hormone-receptor positive breast cancer, as well as a TF-expressing tumor-agnostic cohort. We are continuing to enroll patients in dose-escalation cohorts to determine recommended dosing for XB002 in combination with either nivolumab or bevacizumab, with additional expansion cohorts planned for these combinations as part of our goal to accelerate XB002 into full development before the end of 2023. We also intend to evaluate the potential of XB002 in combination with other targeted therapies across a wide range of tumor types, including indications other than those currently addressed by commercially available TF-targeted therapies.

In November 2022, we executed two option deals that exemplify our strategy to access clinical- or near-clinical-stage assets: an exclusive collaboration agreement with Cybrexa providing us with the right to acquire CBX-12; and an exclusive clinical development and option agreement with Sairopa to develop ADU-1805. Both CBX-12 and ADU-1805 are currently being evaluated in phase 1 clinical trials to explore each compound's pharmacokinetics, safety, tolerability and preliminary anti-tumor activity in patients with advanced or metastatic refractory solid tumors. The ADU-1805 study includes future plans to investigate the compound's potential in combination with approved ICIs.

To facilitate the growth of our various biotherapeutics programs, we have established multiple research collaborations and in-licensing arrangements and entered into other strategic transactions that provide us with access to antibodies, binders, payloads and conjugation technologies, which are the components employed to generate next-

generation ADCs or multispecific antibodies. In addition to the option deals with Cybrexa and Sairopa, some of our active research collaborations for biotherapeutics programs include collaborations with:

- Adagene Inc. (Adagene), which is focused on using Adagene's SAFEbody technology to develop novel masked ADCs or other innovative biotherapeutics with potential for improved therapeutic index;
- BioInvent International AB (BioInvent), which is intended to expand our portfolio of antibody-based therapies and utilizes BioInvent's proprietary n-CoDeR antibody library and patient-centric F.I.R.S.T screening platform, which together are designed to allow for parallel target and antibody discovery;
- Catalent, Inc. (Catalent), which is focused on the discovery and development of multiple ADCs using Catalent's proprietary SMARTag site-specific bioconjugation technology;
- Invenra, Inc. (Invenra), which is focused on the discovery and development of novel binders and multispecific antibodies for the treatment of cancer; and
- NBE-Therapeutics AG (NBE), which is focused on the discovery and development of multiple ADCs by leveraging NBE's unique expertise and proprietary platforms in ADC discovery, including NBE's SMAC-Technology and novel payloads.

We have already made significant progress under these and other research collaborations and in-licensing arrangements and believe we will continue to do so in 2023. For example, as a direct result of these arrangements, we are advancing four biotherapeutics development candidates: XB010, XB014, XB628 and XB371. XB010, our first ADC advanced internally, targets the tumor antigen 5T4. It incorporates antibodies sourced from Invenra and was constructed using Catalent's SMARTag site-specific bioconjugation platform. XB014 and XB628 are bispecific antibodies: XB014 combines a PD-L1 targeting arm with a CD47 targeting arm to block a macrophage checkpoint and XB628 targets PD-L1 and NKG2A, identified as key regulators of natural killer cell activity. Both XB014 and XB628 were developed, in part, in collaboration with Invenra. XB371 is a next-generation TF-targeting ADC that is differentiated from XB002 by its topoisomerase inhibitor payload, and was developed, in part, in collaboration with Catalent.

Other Small Molecules

Since its formation in 2000, our drug discovery group has advanced 25 compounds to the IND stage, either independently or with collaboration partners, and today we deploy our drug discovery expertise to advance small molecule drug candidates toward and through preclinical development. These efforts are led by our experienced scientists, including some of the same scientists who led the efforts to discover cabozantinib, cobimetinib and esaxerenone, each of which are now commercially distributed drug products. For example, zanzalintinib, which was discovered at Exelixis, is now being evaluated in phase 3 clinical trials. We augment our small molecule discovery activities through research collaborations and in-licensing arrangements with other companies engaged in small molecule discovery, including:

- STORM Therapeutics LTD (STORM), which is focused on the discovery and development of inhibitors of novel RNA modifying enzymes, including ADAR1; and
- Aurigene Oncology, Ltd. (Aurigene), which is focused on the discovery and development of novel small molecules as therapies for cancer.

The most advanced compounds to emerge from these arrangements is XL102, our lead program targeting CDK7, in-licensed from Aurigene. We are evaluating XL102, both as a single agent and in combination with other anti-cancer therapies, in QUARTZ-101, a phase 1 study in patients with inoperable, locally advanced or metastatic solid tumors. In December 2022, we announced initial dose-escalation results from QUARTZ-101 during the Poster Session at the 2022 San Antonio Breast Cancer Symposium. The data demonstrated that XL102 was well-tolerated at multiple dose levels, and a pharmacokinetic analysis supported adding investigation of twice-daily oral dosing; dose escalation is currently ongoing. The subsequent cohort-expansion phase is designed to further explore the selected dose of XL102 as a single agent and in combination regimens in individual tumor cohorts, including ovarian cancer, triple-negative breast cancer, hormone-receptor positive breast cancer and mCRPC.

In May 2023, we elected to terminate our collaboration and license agreement with StemSynergy Therapeutics, Inc. (StemSynergy). The collaboration with StemSynergy was focused on the discovery and development of novel oncology compounds aimed to inhibit tumor growth by targeting CK1α and the Notch pathway; the termination will be effective in August 2023.

As of the date of this Quarterly Report on Form 10-Q, we are currently working on more than 20 discovery programs and, pending data warranting further exploration, we anticipate advancing up to five new development

candidates into preclinical development during 2023. In addition, we will continue to engage in business development initiatives with the goal of acquiring and in-licensing promising oncology platforms and assets and then further characterize and develop them utilizing our established preclinical and clinical development infrastructure.

Second Quarter 2023 Business Updates and Financial Highlights

During the second quarter of 2023, we continued to execute on our business objectives, generating significant revenues from operations and enabling us to continue to seek to maximize the clinical and commercial potential of our products and expand our product pipeline. Significant business updates and financial highlights for the quarter and subsequent to quarter-end include:

Business Updates

- In June 2023, cabozantinib was the subject of multiple presentations at the 2023 ASCO Annual Meeting, including three-year quality-of-life follow-up data from CheckMate -9ER and detailed results from CONTACT-03, as well as updated data from the phase 1 study of CBX-12.
- As of June 30, 2023, we have repurchased $127.0 million of our common stock. In March 2023, we announced the repurchase of up to $550 million of our common stock before the end of 2023.
- In July 2023, we announced entry into a settlement agreement with Teva Pharmaceuticals Development, Inc. and Teva Pharmaceuticals USA, Inc. (individually and collectively referred to as Teva). This settlement resolves patent litigation we brought in response to Teva's Abbreviated New Drug Application (ANDA) seeking approval to market a generic version of CABOMETYX prior to the expiration of certain of our patents. For a more detailed discussion of this litigation matter involving Teva, as well as those litigation matters involving MSN and Cipla (each as defined below), see "Legal Proceedings" in Part II, Item 1 of this Quarterly Report on Form 10-Q.

Financial Highlights

- Net product revenues for the second quarter of 2023 were $409.6 million, as compared to $347.0 million for the second quarter of 2022.
- Total revenues for the second quarter of 2023 were $469.8 million, as compared to $419.4 million for the second quarter of 2022.
- Research and development expenses for the second quarter of 2023 were $232.6 million, as compared to $199.5 million for the second quarter of 2022.
- Selling, general and administrative expenses for the second quarter of 2023 were $141.7 million, as compared to $122.8 million for the second quarter of 2022.
- Provision for income taxes for the second quarter of 2023 was $19.2 million, as compared to $17.8 million for the second quarter of 2022.
- Net income for the second quarter of 2023 was $81.2 million, or $0.25 per share, basic and diluted, as compared to net income of $70.7 million, or $0.22 per share, basic and diluted, for the second quarter of 2022.

See *"Results of Operations"* below for a discussion of the detailed components and analysis of the amounts above.

Outlook, Challenges and Risks

We will continue to face numerous challenges and risks that may impact our ability to execute on our business objectives. In particular, for the foreseeable future, we expect our ability to generate sufficient cash flow to fund our business operations and growth will depend upon the continued commercial success of CABOMETYX, both alone and in combination with other therapies, as a treatment for the highly competitive indications for which it is approved, and possibly for other indications for which cabozantinib is currently being evaluated in potentially label-enabling clinical trials, if warranted by the data generated from these trials. However, we cannot be certain that the clinical trials we and our collaboration partners are conducting will demonstrate adequate safety and efficacy in these additional indications to receive regulatory approval in the major commercial markets where CABOMETYX is approved. Even if the required regulatory approvals to market CABOMETYX for additional indications are achieved, we and our collaboration partners may not be able to commercialize CABOMETYX effectively and successfully in these additional indications. In addition, CABOMETYX will only continue to be commercially successful if private third-party and government payers continue to provide coverage and reimbursement. As is the case for all innovative pharmaceutical therapies, obtaining and maintaining coverage and reimbursement for CABOMETYX is becoming increasingly difficult, both within the U.S. and in foreign markets. In addition, healthcare policymakers in the U.S. are increasingly expressing concern over healthcare costs and

corresponding legislative and policy initiatives and activities have been launched aimed at increasing the healthcare cost burdens borne by pharmaceutical manufacturers, as well as expanding access to, and restricting the prices and growth in prices of, pharmaceuticals.

Achievement of our business objectives will also depend on our ability to maintain a competitive position in the shifting landscape of therapeutic strategies for the treatment of cancer, which we may not be able to do. On an ongoing basis, we assess the constantly evolving landscape of other approved and investigational cancer therapies that could be competitive, or complementary in combination, with our products, and then we adapt our development strategies for the cabozantinib franchise and our pipeline product candidates accordingly, such as by modifying our clinical trials to include evaluation of our therapies with ICIs and other targeted agents. Even if our current and future clinical trials, including those evaluating cabozantinib in combination with an ICI in mCRPC or evaluating zanzalintinib in combination with an ICI in CRC and RCC, produce positive results sufficient to obtain marketing approval by the FDA and other global regulatory authorities, it is uncertain whether physicians will choose to prescribe regimens containing our products instead of competing products and product combinations in approved indications.

In the longer term, we may eventually face competition from potential manufacturers of generic versions of our marketed products, including the proposed generic versions of CABOMETYX tablets that are the subject of ANDAs submitted to the FDA by MSN, Teva and Cipla. The approval of any of these ANDAs and subsequent launch of any generic version of CABOMETYX could significantly decrease our revenues derived from the U.S. sales of CABOMETYX and thereby materially harm our business, financial condition and results of operations.

Separately, our research and development objectives may be impeded by the challenges of scaling our organization to meet the demands of expanded drug development, unanticipated delays in clinical testing and the inherent risks and uncertainties associated with drug discovery operations, especially on the global level. In connection with efforts to expand our product pipeline, we may be unsuccessful in discovering new drug candidates or identifying appropriate candidates for in-licensing or acquisition.

Some of these challenges and risks are specific to our business, others are common to companies in the biopharmaceutical industry with development and commercial operations, and an additional category are macroeconomic, affecting all companies.

Fiscal Year Convention

We have adopted a 52- or 53-week fiscal year policy that ends on the Friday closest to December 31st. Fiscal year 2023, which is a 52-week fiscal year, will end on December 29, 2023 and fiscal year 2022, which was a 52-week fiscal year, ended on December 30, 2022. For convenience, references in this report as of and for the fiscal periods ended July 1, 2022, and as of and for the fiscal years ending December 29, 2023 and ended December 30, 2022 are indicated as being as of and for the periods ended June 30, 2022, and the years ending December 31, 2023 and ended December 31, 2022, respectively.

Results of Operations

Revenues

Revenues by category were as follows (dollars in thousands):

	Three Months Ended June 30,		Percent Change	Six Months Ended June 30,		Percent Change
	2023	2022		2023	2022	
Net product revenues	$ 409,646	$ 347,044	18 %	$ 773,046	$ 657,342	18 %
License revenues	52,747	57,526	-8 %	91,039	89,593	2 %
Collaboration services revenues	7,455	14,857	-50 %	14,551	28,472	-49 %
Total revenues	$ 469,848	$ 419,427	12 %	$ 878,636	$ 775,407	13 %

Net Product Revenues

Gross product revenues, discounts and allowances and net product revenues were as follows (dollars in thousands):

	Three Months Ended June 30,		Percent Change	Six Months Ended June 30,		Percent Change
	2023	2022		2023	2022	
Gross product revenues	$ 563,173	$ 483,073	17 %	$ 1,084,495	$ 931,310	16 %
Discounts and allowances	(153,527)	(136,029)	13 %	(311,449)	(273,968)	14 %
Net product revenues	$ 409,646	$ 347,044	18 %	$ 773,046	$ 657,342	18 %

Net product revenues by product were as follows (dollars in thousands):

	Three Months Ended June 30,		Percent Change	Six Months Ended June 30,		Percent Change
	2023	2022		2023	2022	
CABOMETYX	$ 403,292	$ 339,159	19 %	$ 765,065	$ 641,971	19 %
COMETRIQ	6,354	7,885	-19 %	7,981	15,371	-48 %
Net product revenues	$ 409,646	$ 347,044	18 %	$ 773,046	$ 657,342	18 %

The increases in net product revenues for the three and six months ended June 30, 2023, as compared to the corresponding prior year periods, were primarily related to increases of 10% for each period in the number of CABOMETYX units sold as a result of the FDA's approval of CABOMETYX in combination with OPDIVO as a first-line treatment of patients with advanced RCC, in part due to the longer duration of therapy for this combination and increases in related market share reflecting the continued evolution of the metastatic RCC, HCC and DTC treatment landscapes, and, to a lesser extent, increases of 9% and 8%, respectively, in the average net selling price of CABOMETYX for both the three and six months ended June 30, 2023, as compared to the corresponding prior year periods.

We project that our net product revenues may increase for the remainder of 2023, as compared to the corresponding prior year period, for similar reasons noted above.

We recognize product revenues net of discounts and allowances that are described in "Note 1. Organization and Summary of Significant Accounting Policies" to our "Notes to Consolidated Financial Statements" included in Part II, Item 8 of our Fiscal 2022 Form 10-K.

Discounts and allowances as a percentage of gross revenues have generally increased over time as the number of patients participating in government programs has increased and as the discounts given and rebates paid to government payers have also increased. The increases in the amount of discounts and allowances for the three and six months ended June 30, 2023, as compared to the corresponding prior year periods, were primarily the result of increases in volume of units sold, an increase in Medicaid utilization and the dollar amount of related Medicaid rebates.

We project our discounts and allowances as a percentage of gross revenues may increase for the remainder of 2023, as compared to the corresponding prior year period, for similar reasons noted above.

License Revenues

License revenues include: (a) the recognition of the portion of milestone payments allocated to the transfer of intellectual property licenses for which it had become probable, in the related period, that a milestone would be achieved and a significant reversal of revenues would not occur in future periods; (b) royalty revenues; and (c) the profit on the U.S. commercialization of COTELLIC from Genentech.

Milestone revenues, which are allocated between license revenues and collaboration services revenues, were $11.0 million and $12.3 million for the three and six months ended June 30, 2023, respectively, as compared to $26.2 million and $26.9 million for the corresponding prior year periods. Milestone revenues by period included the following:

- For the three and six months ended June 30, 2023, $9.8 million in revenues recognized in connection with a commercial milestone of $11.0 million from Takeda upon their achievement of $150.0 million of cumulative net sales of cabozantinib in Japan.
- For the three and six months ended June 30, 2022, $25.7 million in revenues recognized in connection with two regulatory milestones totaling $27.0 million upon the approval by the European Commission and Health Canada of cabozantinib as a monotherapy for the treatment of adult patients with locally advanced or metastatic DTC, refractory or not eligible to radioactive iodine who have progressed during or after prior systemic therapy.

Royalty revenues increased primarily as a result of increases in Ipsen's net sales of cabozantinib outside of the U.S. and Japan. Ipsen royalties were $34.0 million and $63.8 million for the three and six months ended June 30, 2023, respectively, as compared to $27.5 million and $52.1 million for the corresponding prior year periods. Ipsen's net sales of cabozantinib have continued to grow since Ipsen's first commercial sale of CABOMETYX in the fourth quarter of 2016, primarily due to regulatory approvals in new territories, including regulatory approval in the EU for the combination therapy of CABOMETYX and OPDIVO received in March 2021. Royalty revenues for the three and six months ended June 30, 2023 also included $3.4 million and $6.2 million, respectively, related to Takeda's net sales of cabozantinib, as compared to $2.7 million and $5.1 million for the corresponding prior year periods. Takeda royalty revenues have continued to grow since Takeda's first commercial sale of CABOMETYX in Japan in 2020. CABOMETYX is approved and is commercially available in 69 countries outside the U.S. as of the date of this Quarterly Report on Form 10-Q.

Our share of profits on the U.S. commercialization of COTELLIC under our collaboration agreement with Genentech were $5.5 million and $8.4 million for the three and six months ended June 30, 2023, respectively, as compared to $1.7 million and $3.8 million for the corresponding prior year periods. We also earned royalties on ex-U.S. net sales of COTELLIC by Genentech of $0.9 million and $2.0 million for the three and six months ended June 30, 2023, respectively, as compared to $0.9 million and $2.5 million for the corresponding prior year periods.

Due to uncertainties surrounding the timing and achievement of regulatory and development milestones, it is difficult to predict future milestone revenues and milestones can vary significantly from period to period.

Collaboration Services Revenues

Collaboration services revenues include the recognition of deferred revenues for the portion of upfront and milestone payments that have been allocated to research and development services performance obligations, development cost reimbursements earned under our collaboration agreements and product supply revenues, which are net of product supply costs and the royalties we pay to Royalty Pharma on sales by Ipsen and Takeda of products containing cabozantinib.

Development cost reimbursements were $9.7 million and $20.2 million for the three and six months ended June 30, 2023, respectively, as compared to $17.3 million and $34.5 million for the corresponding prior year periods. The decreases in development cost reimbursements for the three and six months ended June 30, 2023, as compared to the corresponding prior year periods, were primarily attributable to decreases in spending on the COSMIC-312, CONTACT-02 and COSMIC-311 studies.

Collaboration services revenues were reduced by $5.0 million and $9.5 million for the three and six months ended June 30, 2023, respectively, as compared to $4.2 million and $8.0 million for the corresponding prior year periods, for the 3% royalty we are required to pay on the net sales by Ipsen and Takeda of any product incorporating cabozantinib. As royalty generating sales of cabozantinib by Ipsen and Takeda have increased as described above, our royalty payments have also increased.

We project our collaboration services revenues may decrease for the remainder of 2023, as compared to the corresponding prior year period, primarily as a result of a decrease in development cost reimbursement revenues.

Cost of Goods Sold

The cost of goods sold and our gross margin were as follows (dollars in thousands):

	Three Months Ended June 30,		Percent Change	Six Months Ended June 30,		Percent Change
	2023	2022		2023	2022	
Cost of goods sold	$ 17,705	$ 13,481	31 %	$ 32,020	$ 26,684	20 %
Gross margin %	96 %	96 %		96 %	96 %	

Cost of goods sold is related to our product revenues and consists of a 3% royalty payable on U.S. net sales of any product incorporating cabozantinib, as well as the cost of inventory sold, indirect labor costs, write-downs related to expiring, excess and obsolete inventory and other third-party logistics costs. The increases in cost of goods sold for the three and six months ended June 30, 2023, as compared to the corresponding prior year periods, were primarily due to increases in royalties as a result of increased U.S. CABOMETYX sales, partially offset by certain period costs. We project our gross margin will not change significantly during the remainder of 2023.

Research and Development Expenses

We do not track fully burdened research and development expenses on a project-by-project basis. We group our research and development expenses into three categories: (1) development; (2) drug discovery; and (3) other research and development. Our development group leads the development and implementation of our clinical and regulatory strategies and prioritizes disease indications in which our compounds are being or may be studied in clinical trials. Development expenses include clinical trial costs, personnel expenses, consulting and outside services and other development costs, including manufacturing costs of our drug development candidates. Our drug discovery group utilizes a variety of technologies, including in-licensed technologies, to enable the rapid discovery, optimization and extensive characterization of lead compounds and biotherapeutics such that we are able to select development candidates with the best potential for further evaluation and advancement into clinical development. Drug discovery expenses include license and other collaboration costs primarily comprised of upfront license fees, research funding commitments, development milestones and other payments associated with our in-licensing collaboration programs in preclinical development stage. Other drug discovery costs include personnel expenses, consulting and outside services and laboratory supplies. Other research and development expenses include the allocation of general corporate costs to research and development services and development cost reimbursements in connection with certain of our collaboration arrangements.

Research and development expenses by category were as follows (dollars in thousands):

	Three Months Ended June 30,		Percent Change	Six Months Ended June 30,		Percent Change
	2023	2022		2023	2022	
Development:						
Clinical trial costs	$ 64,309	$ 59,788	8 %	$ 120,802	$ 119,786	1 %
Personnel expenses	42,362	37,313	14 %	84,060	71,579	17 %
Consulting and outside services	11,487	8,910	29 %	20,968	15,346	37 %
Other development costs	22,055	11,703	88 %	40,873	21,072	94 %
Total development	140,213	117,714	19 %	266,703	227,783	17 %
Drug discovery:						
License and other collaboration costs	16,841	33,158	-49 %	61,577	42,809	44 %
Other drug discovery costs	31,708	21,609	47 %	62,068	39,440	57 %
Total drug discovery	48,549	54,767	-11 %	123,645	82,249	50 %
Stock-based compensation	9,589	9,549	0 %	12,841	18,448	-30 %
Other research and development	34,219	17,451	96 %	63,627	27,672	130 %
Total research and development expenses	$ 232,570	$ 199,481	17 %	$ 466,816	$ 356,152	31 %

The increases in research and development expenses for the three months ended June 30, 2023, as compared to the corresponding prior year period, were primarily related to increases in manufacturing costs to support Exelixis' development candidates (presented as part of other development costs), personnel expenses, other research and development expenses and clinical trial costs and consulting and outside services, partially offset by lower license and other collaboration costs.

The increases in research and development expenses for the six months ended June 30, 2023, as compared to the corresponding prior year period, were primarily related to increases in personnel expenses, license and other collaboration costs, other research and development expenses and other development costs, partially offset by lower stock-based compensation expense.

Personnel expenses increased primarily due to an increase in headcount to support our expanding discovery and development organization. Other development costs increased primarily due to manufacturing costs to support our development candidates. Other research and development expenses increased primarily related to technology costs, including our investments in business technology initiatives to support productivity and efficiency in our organization, and increases in facility expenses. Clinical trial costs, which include services performed by third-party contract research organizations and other vendors who support our clinical trials, increased for the three months ended June 30, 2023, as compared to the corresponding prior year period, primarily due to higher costs associated with various studies evaluating zanzalintinib and XB002, partially offset by decreases in costs associated with cabozantinib studies. Consulting and outside services expenses increased primarily as a result of the continued growth in our discovery and research and development activities. Drug discovery-related license and other collaboration costs decreased for the three months ended June 30, 2023 primarily due to lower upfront license fees, as compared to the corresponding prior year period. Drug discovery-related license and other collaboration costs increased for the six months ended June 30, 2023, primarily due to a $35.0 million milestone payment to Sairopa upon the IND effective date for ADU-1805. Stock-based compensation expense decreased for the six months ended June 30, 2023, as compared to the corresponding prior year period, primarily due to higher forfeitures.

In addition to reviewing the three categories of research and development expenses described above, we principally consider qualitative factors in making decisions regarding our research and development programs. These factors include enrollment in clinical trials for our drug candidates, preliminary data and final results from clinical trials, the potential market indications and overall clinical and commercial potential for our drug candidates, and competitive dynamics. We also make our research and development decisions in the context of our overall business strategy.

We continue to focus our development efforts on cabozantinib to maximize the therapeutic and commercial potential of this compound. Notable ongoing company-sponsored studies resulting from this program include: CONTACT-02, for which Roche is sharing the development costs and providing atezolizumab free of charge; and COSMIC-313, for which BMS is providing nivolumab and ipilimumab free of charge. In addition, we project that a substantial portion of our research and development expenses will relate to the clinical development of our small molecule product candidate, zanzalintinib, and our first biotherapeutics product candidate, XB002.

We are expanding our oncology product pipeline through drug discovery efforts, which encompass both biotherapeutics and small molecule programs with multiple modalities and mechanisms of action, with the goal of identifying new product candidates to advance into clinical trials. We also continue to engage in business development initiatives aimed at acquiring and in-licensing promising oncology platforms and assets, with the goal of utilizing our established preclinical and clinical development infrastructure to further characterize and develop such platforms and assets.

We project our research and development expenses may increase for the remainder of 2023, as compared to the corresponding prior year period, primarily driven by increases in personnel expenses to support our expanding discovery and development organization and clinical trial costs including the planned initiation of one or more additional phase 3 pivotal trials and current early-stage trials evaluating zanzalintinib, additional early-stage trials evaluating XB002, as well as business development activities.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were as follows (dollars in thousands):

	Three Months Ended June 30,		Percent Change	Six Months Ended June 30,		Percent Change
	2023	2022		2023	2022	
Selling, general and administrative expenses[1]	$ 126,412	$ 107,686	17 %	$ 244,400	$ 199,689	22 %
Stock-based compensation	15,311	15,073	2 %	28,720	25,933	11 %
Total selling, general and administrative expenses	$ 141,723	$ 122,759	15 %	$ 273,120	$ 225,622	21 %

[1] Excludes stock-based compensation allocated to selling, general and administrative expenses.

Selling, general and administrative expenses consist primarily of personnel expenses, stock-based compensation, marketing costs and certain other administrative costs.

The increases in selling, general and administrative expenses for the three and six months ended June 30, 2023, as compared to the corresponding prior year periods, were primarily related to increases in personnel expenses, legal and advisory fees related to the recent proxy contest and technology costs. Personnel expenses increased primarily due to increases in administrative headcount to support our commercial and research and development organizations. The increases in technology costs include our investments in business technology initiatives to support productivity and efficiency in our organization.

We project our selling, general and administrative expenses may increase for the remainder of 2023, as compared to the corresponding prior year period, due to increases in personnel expenses for similar reasons noted above.

Non-Operating Income

Non-operating income was as follows (dollars in thousands):

	Three Months Ended June 30,		Percent Change	Six Months Ended June 30,		Percent Change
	2023	2022		2023	2022	
Interest income	$ 22,541	$ 4,757	374 %	$ 42,043	$ 6,579	539 %
Other income (expense), net	(5)	45	-111 %	(59)	209	-128 %
Non-operating income	$ 22,536	$ 4,802	369 %	$ 41,984	$ 6,788	519 %

The increases in non-operating income for the three and six months ended June 30, 2023, as compared to the corresponding prior year periods, were primarily the result of an increase in interest income due to higher interest rates and higher investment balances.

Provision for Income Taxes

The provision for income taxes and the effective tax rates were as follows (dollars in thousands):

	Three Months Ended June 30,		Percent Change	Six Months Ended June 30,		Percent Change
	2023	2022		2023	2022	
Provision for income taxes	$ 19,208	$ 17,836	8 %	$ 27,458	$ 34,492	-20 %
Effective tax rate	19.1 %	20.2 %		18.5 %	19.9 %	

The effective tax rates for the three and six months ended June 30, 2023, differed from the U.S. federal statutory rate of 21%, primarily due to the generation of federal tax credits, partially offset by state taxes. The effective tax rates for the three and six months ended June 30, 2022, differed from the U.S. federal statutory rate of 21%, primarily due to excess tax benefits related to the exercise of certain stock options during the periods and the generation of federal tax credits, partially offset by state taxes.

Liquidity and Capital Resources

As of June 30, 2023 and December 31, 2022, we had $2.1 billion in cash, cash equivalents and investments. We anticipate that the aggregate of our current cash and cash equivalents, short-term investments available for operations, net product revenues and collaboration revenues will enable us to maintain our operations for at least 12 months and thereafter for the foreseeable future.

Our primary cash requirements for operating activities, which we project will increase for the remainder of 2023, as compared to the corresponding period in 2022, are for: income tax payments; employee related expenditures; payments related to our development and discovery programs; royalty payments on our net product sales; rent payments for our leased facilities; and contract manufacturing payments.

The Tax Cuts and Jobs Act, signed into law on December 22, 2017, modified the tax treatment of research and development expenditures beginning in 2022. Research and development expenditures are no longer currently deductible but instead must be amortized ratably over five years for domestic expenditures or 15 years for foreign expenditures. As a result, we anticipate a higher federal income tax liability in 2023 and expect to pay higher estimated federal taxes by the end of 2023. We will realize a reduction of our federal income tax liability in future years as the capitalized research and development expenditures are amortized for tax purposes.

Our primary sources of operating cash are: cash collections from customers related to net product sales, which we project will increase for the remainder of 2023, as compared to the corresponding period in 2022; cash collections related to milestones achieved and royalties earned from our commercial collaboration arrangements with Ipsen, Takeda and others; and cash collections for cost reimbursements under certain of our development programs with Ipsen and Takeda which we project may decrease for the remainder of 2023, as compared to the corresponding period in 2022. The timing of cash generated from commercial collaborations and cash payments required for in-licensing collaborations relative to upfront license fee payments, research funding commitments, cost reimbursements, exercise of option payments and other contingent payments such as development milestone payments may vary from period to period.

We also have cash requirements related to capital expenditures to support the planned growth of our business including investments in facilities and equipment. We project that we may continue to spend significant amounts of cash to fund the development and commercialization of cabozantinib and the development of other product candidates in our pipeline, including zanzalintinib and XB002. In addition, we intend to continue to expand our oncology product pipeline through our drug discovery efforts, including additional research collaborations, in-licensing arrangements and other strategic transactions that align with our oncology drug development, and regulatory and commercial expertise. In March 2023, our Board of Directors authorized the repurchase of up to $550 million of our common stock before the end of 2023. The timing and amount of any stock repurchases under the stock repurchase program will be based on a variety of factors, including ongoing assessments of the capital needs of the business, alternative investment opportunities, the market price of Exelixis' common stock and general market conditions.

Financing these activities could materially impact our liquidity and capital resources and may require us to incur debt or raise additional funds through the issuance of equity. Furthermore, even though we believe we have sufficient funds for our current and future operating plans, we may choose to incur debt or raise additional funds through the issuance of equity based on market conditions or strategic considerations.

Sources and Uses of Cash (dollars in thousands):

	June 30, 2023	December 31, 2022	Percent Change
Working capital	$ 1,250,910	$ 1,294,403	-3 %
Cash, cash equivalents and investments	$ 2,105,430	$ 2,066,681	2 %

Working capital: The decrease in working capital as of June 30, 2023, as compared to December 31, 2022, was primarily due to repurchases of our common stock, purchases of long-term investments and purchases of long-term inventory, partially offset by the favorable impact to our net current assets resulting from our net income. In the future, our working capital may be impacted by one of these factors or other factors, the amounts and timing of which are variable.

Cash, cash equivalents and investments: Cash and cash equivalents primarily consist of cash deposits held at major banks, commercial paper, money market funds and other securities with original maturities 90 days or less. Investments primarily consist of debt securities available-for-sale. For additional information regarding our cash, cash equivalents and investments, see "Note 4. Cash and Investments," in our "Notes to Condensed Consolidated Financial Statements" included in Part I, Item 1 of this Quarterly Report on Form 10-Q. The increase in cash, cash equivalents and investments as of June 30, 2023, as compared to December 31, 2022, was primarily due to cash inflows generated by our operations from sales of our products and our commercial collaboration arrangements, partially offset by operating cash payments for employee-related expenditures, cash payments to support our development and discovery programs and repurchases of our common stock.

Cash flow activities were as follows (in thousands):

	Six Months Ended June 30,	
	2023	2022
Net cash provided by operating activities	$ 205,386	$ 178,849
Net cash used in investing activities	$ (123,377)	$ (209,681)
Net cash provided by (used in) financing activities	$ (120,206)	$ 4,627

Operating Activities

Cash provided by operating activities is derived by adjusting our net income for non-cash operating items such as deferred taxes, stock-based compensation, depreciation, non-cash lease expense and changes in operating assets and liabilities, which reflect timing differences between the receipt and payment of cash associated with transactions and when they are recognized in our Condensed Consolidated Statements of Income.

Net cash provided by operating activities for the six months ended June 30, 2023 increased, as compared to the corresponding prior year period, primarily due to an increase in cash received on sales of our products and a decrease in cash paid for certain operating expenses, primarily from collaboration related research and development payments, partially offset by the collection of a $100.0 million milestone payment from Ipsen in the three months ended March 31, 2022.

Investing Activities

The changes in cash flows from investing activities primarily relates to the timing of marketable securities investment activity, acquisition of acquired in-process research and development technology and capital expenditures. Our capital expenditures primarily consist of investments to expand our operations and acquire assets that further support our research and development activities.

Net cash used in investing activities for the six months ended June 30, 2023 decreased, as compared to the corresponding prior year period, primarily due to an increase in cash proceeds from maturities and sales of investments and a decrease in purchases of investments, partially offset by an increase in purchases of in-process research and development technology related to certain of our in-licensing collaboration arrangements.

Financing Activities

The changes in cash flows from financing activities primarily relate to proceeds from employee stock programs, taxes paid related to net share settlement of equity awards, and payments for repurchases of common stock.

Net cash was used in financing activities for the six months ended June 30, 2023, as compared to cash provided by financing operations in the corresponding prior year period, primarily due to payments for repurchases of common stock.

Contractual Obligations

In May 2023, in connection with the commencement of our lease of laboratory facilities located in Pennsylvania, we recognized a right-of-use asset and an operating lease liability of $13.2 million. We estimated the lease term to be 60 months taking into consideration our early termination rights.

There were no material changes outside of the ordinary course of business in our contractual obligations as of June 30, 2023 from those disclosed in our Fiscal 2022 Form 10-K. For more information about our leases, and our other contractual obligations, see “Note 10. Commitments and Contingencies” in “Notes to Condensed Consolidated Financial Statements” included in Part I, Item I of this Quarterly Report on Form 10-Q and see “Note 11. Commitments and Contingencies” of the “Notes to Consolidated Financial Statements” included in Part II, Item 8 of our Fiscal 2022 Form 10-K.

Critical Accounting Policies and Estimates

The preparation of our Condensed Consolidated Financial Statements conforms to accounting principles generally accepted in the U.S. which requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, equity, revenues and expenses and related disclosures. An accounting policy is considered to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact our Condensed Consolidated Financial Statements. On an ongoing basis, management evaluates its estimates, including, but not limited to: those related to revenue recognition, including determining the nature and timing of satisfaction of performance obligations, and determining the standalone selling price of performance obligations, and variable consideration such as rebates, chargebacks, sales returns and sales allowances as well as milestones included in collaboration arrangements; the amounts of revenues and expenses under our profit and loss sharing agreement; recoverability of inventory; the accrual for certain liabilities, including accrued clinical trial liabilities; valuations of equity awards used to determine stock-based compensation, including certain awards with vesting subject to market and/or performance conditions; and the amounts of deferred tax assets and liabilities, including the related valuation allowance. We base our estimates on historical experience and on various other market-specific and relevant assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our senior management has discussed the development, selection and disclosure of these estimates with the Audit Committee of our Board of Directors. Actual results could differ materially from those estimates.

We believe our critical accounting policies relating to revenue recognition, inventory, clinical trial accruals, stock-based compensation and income taxes reflect the most significant estimates and assumptions used in the preparation of our Condensed Consolidated Financial Statements.

There have been no significant changes in our critical accounting policies and estimates during the six months ended June 30, 2023, as compared to the critical accounting policies and estimates disclosed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in Part II, Item 7 of our Fiscal 2022 Form 10-K.

Recent Accounting Pronouncements

For a description of the expected impact of recent accounting pronouncements, see “Note 1. Organization and Summary of Significant Accounting Policies” in the “Notes to Condensed Consolidated Financial Statements” included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our market risks as of June 30, 2023 have not changed significantly from those described in Part II, Item 7A of our Fiscal 2022 Form 10-K.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures. Based on the evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act)) required by Rules 13a-15(b) or 15d-15(b) of the Exchange Act, our Chief Executive Officer and Chief Financial Officer have concluded that as of the end of the period covered by this report, our disclosure controls and procedures were effective at the reasonable assurance level.

Limitations on the effectiveness of controls. A control system, no matter how well-conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within an organization have been detected. Accordingly, our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our disclosure control system are met and, as set forth above, our principal executive officer and principal financial officer have concluded, based on their evaluation as of the end of the period covered by this report, that our disclosure controls and procedures were effective to provide reasonable assurance that the objectives of our disclosure control system were met.

***Changes in internal control over financial reporting*.** There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

MSN I ANDA Litigation

In September 2019, we received a notice letter regarding an ANDA submitted to the FDA by MSN Pharmaceuticals, Inc. (individually and collectively with certain of its affiliates, including MSN Laboratories Private Limited, referred to as MSN), requesting approval to market a generic version of CABOMETYX tablets. MSN's initial notice letter included a Paragraph IV certification with respect to our U.S. Patents No. 8,877,776 (salt and polymorphic forms), 9,724,342 (formulations), 10,034,873 (methods of treatment) and 10,039,757 (methods of treatment), which are listed in the Orange Book, for CABOMETYX. MSN's initial notice letter did not provide a Paragraph IV certification against U.S. Patents No. 7,579,473 (composition of matter) or 8,497,284 (methods of treatment), each of which is listed in the Orange Book. On October 29, 2019, we filed a complaint in the United States District Court for the District of Delaware (Delaware District Court) for patent infringement against MSN asserting infringement of U.S. Patent No. 8,877,776 arising from MSN's ANDA filing with the FDA. On November 20, 2019, MSN filed its response to the complaint, alleging that the asserted claims of U.S. Patent No. 8,877,776 are invalid and not infringed. On May 5, 2020, we received notice from MSN that it had amended its ANDA to include additional Paragraph IV certifications. In particular, the May 5, 2020 amended ANDA requested approval to market a generic version of CABOMETYX tablets prior to expiration of two previously unasserted CABOMETYX patents: U.S. Patents No. 7,579,473 and 8,497,284. On May 11, 2020, we filed a complaint in the Delaware District Court for patent infringement against MSN asserting infringement of U.S. Patents No. 7,579,473 and 8,497,284 arising from MSN's amended ANDA filing with the FDA. Neither of our complaints have alleged infringement of U.S. Patents No. 9,724,342, 10,034,873 and 10,039,757. On May 22, 2020, MSN filed its response to the complaint, alleging that the asserted claims of U.S. Patents No. 7,579,473 and 8,497,284 are invalid and not infringed. On March 23, 2021, MSN filed its First Amended Answer and Counterclaims (amending its prior filing from May 22, 2020), seeking, among other things, a declaratory judgment that U.S. Patent No. 9,809,549 (salt and polymorphic forms) is invalid and would not be infringed by MSN if its generic version of CABOMETYX tablets were approved by the FDA. U.S. Patent No. 9,809,549 is not listed in the Orange Book. On April 7, 2021, we filed our response to MSN's First Amended Answer and Counterclaims, denying, among other things, that U.S. Patent No. 9,809,549 is invalid or would not be infringed. The two lawsuits comprising this litigation (collectively referred to as MSN I), numbered Civil Action Nos. 19-02017 and 20-00633, were consolidated in April 2021.

On October 1, 2021, pursuant to a stipulation between us and MSN, the Delaware District Court entered an order that (i) MSN's submission of its ANDA constitutes infringement of certain claims relating to U.S. Patents No. 7,579,473 and 8,497,284, if those claims are not found to be invalid, and (ii) upon approval, MSN's commercial manufacture, use, sale or offer for sale within the U.S., and importation into the U.S., of MSN's ANDA product prior to the expiration of U.S. Patents No. 7,579,473 and 8,497,284 would also infringe certain claims of each patent, if those claims are not found to be invalid. Then, on October 12, 2021, pursuant to a separate stipulation between us and MSN, the Delaware District Court entered an order dismissing MSN's counterclaims with respect to U.S. Patent No. 9,809,549. In our MSN I complaints, we sought, among other relief, an order that the effective date of any FDA approval of MSN's ANDA be a date no earlier than the expiration of all of U.S. Patents No. 7,579,473, 8,497,284 and 8,877,776, the latest of which expires on October 8, 2030, and equitable relief enjoining MSN from infringing these patents. In an effort to streamline the case, the parties narrowed their assertions. On April 8, 2022, MSN withdrew its validity challenge to U.S. Patent No. 8,877,776. On April 14, 2022, we agreed not to assert U.S. Patent No. 8,497,284 at trial and MSN, correspondingly, agreed to withdraw its validity challenges to U.S. Patent No. 8,497,284, as well as claims 1-4 and 6-7 of U.S. Patent No. 7,579,473. As a result of this narrowing, the trial addressed two issues: (1) infringement of claim 1 of the U.S. Patent No. 8,877,776; and (2) validity of claim 5 of the U.S. Patent No. 7,579,473. A bench trial for MSN I occurred in May 2022, and on January 19, 2023, the Delaware District Court issued a ruling rejecting MSN's invalidity challenge to U.S. Patent No. 7,759,473. The Delaware District Court also ruled that MSN's proposed ANDA product does not infringe U.S. Patent No. 8,877,776 and entered judgment that the effective date of any final FDA approval of MSN's ANDA shall not be a date earlier than August 14, 2026, the expiration date of U.S. Patent No. 7,759,473. Final judgment was entered on January 30, 2023. This ruling in MSN I does not impact our separate and ongoing MSN II lawsuit (as defined below).

MSN II ANDA Litigation

On January 11, 2022, we received notice from MSN that it had further amended its ANDA to assert additional Paragraph IV certifications. In particular, the January 11, 2022 amended ANDA requested approval to market a generic version of CABOMETYX tablets prior to expiration of three previously-unasserted CABOMETYX patents that are now listed in the Orange Book: U.S. Patents No. 11,091,439 (crystalline salt forms), 11,091,440 (pharmaceutical composition) and

11,098,015 (methods of treatment). On February 23, 2022, we filed a complaint in the Delaware District Court for patent infringement against MSN asserting infringement of U.S. Patents No. 11,091,439, 11,091,440 and 11,098,015 arising from MSN's further amendment of its ANDA filing with the FDA. On February 25, 2022, MSN filed its response to the complaint, alleging that the asserted claims of U.S. Patents No. 11,091,439, 11,091,440 and 11,098,015 are invalid and not infringed. On June 7, 2022, we received notice from MSN that it had further amended its ANDA to assert an additional Paragraph IV certification. As currently amended, MSN's ANDA now requests approval to market a generic version of CABOMETYX tablets prior to expiration of a previously-unasserted CABOMETYX patent that is now listed in the Orange Book: U.S. Patent No. 11,298,349 (pharmaceutical composition). On July 18, 2022, we filed a complaint in the Delaware District Court for patent infringement against MSN asserting infringement of U.S. Patent No. 11,298,349 arising from MSN's further amendment of its ANDA filing with the FDA. On August 9, 2022, MSN filed its response to the complaint, alleging that the asserted claims of U.S. Patent No. 11,298,349 are invalid and not infringed and amended its challenges to U.S. Patents No. 11,091,439, 11,091,440 and 11,098,015 to allege that these patents are not enforceable based on equitable grounds. The two lawsuits comprising this litigation (collectively referred to as MSN II), numbered Civil Action Nos. 22-00228 and 22-00945, were consolidated in October 2022 and involve Exelixis patents that are different from those asserted in the MSN I litigation described above.

On June 21, 2022, pursuant to a stipulation between us and MSN, the Delaware District Court entered an order that (i) MSN's submission of its ANDA constitutes infringement of certain claims relating to U.S. Patents No. 11,091,439, 11,091,440 and 11,098,015, if those claims are not found to be invalid, and (ii) upon approval, MSN's commercial manufacture, use, sale or offer for sale within the U.S., and importation into the U.S., of MSN's ANDA product prior to the expiration of U.S. Patents No. 11,091,439, 11,091,440 and 11,098,015 would also infringe certain claims of each patent, if those claims are not found to be invalid. In our MSN II complaints, we are seeking, among other relief, an order that the effective date of any FDA approval of MSN's ANDA would be a date no earlier than the expiration of all of U.S. Patents No. 11,091,439, 11,091,440, 11,098,015 and 11,298,349, the latest of which expires on February 10, 2032, and equitable relief enjoining MSN from infringing these patents. A bench trial for MSN II has been scheduled for October 2023.

Teva ANDA Litigation

In May 2021, we received notice letters from Teva regarding an ANDA Teva submitted to the FDA, requesting approval to market a generic version of CABOMETYX tablets. Teva's notice letters included a Paragraph IV certification with respect to our U.S. Patents No. 9,724,342 (formulations), 10,034,873 (methods of treatment) and 10,039,757 (methods of treatment), which are listed in the Orange Book. Teva's notice letters did not provide a Paragraph IV certification against any additional CABOMETYX patents. On June 17, 2021, we filed a complaint in the Delaware District Court for patent infringement against Teva, asserting infringement of U.S. Patents No. 9,724,342, 10,034,873 and 10,039,757 arising from Teva's ANDA filing with the FDA. On August 27, 2021, Teva filed its answer and counterclaims to the complaint, alleging that the asserted claims of U.S. Patents No. 9,724,342, 10,034,873 and 10,039,757 are invalid and not infringed. On September 17, 2021, we filed an answer to Teva's counterclaims. On July 29, 2022, we received notice from Teva that it had amended its ANDA to assert an additional Paragraph IV certification. As amended, Teva's ANDA now requests approval to market a generic version of CABOMETYX tablets prior to expiration of a previously-unasserted CABOMETYX patent that is now listed in the Orange Book: U.S. Patent No. 11,298,349 (pharmaceutical composition). On September 2, 2022, we filed a complaint in the Delaware District Court for patent infringement against Teva, asserting infringement of U.S. Patent No. 11,298,349 arising from Teva's amended ANDA filing with the FDA. We are seeking, among other relief, an order that the effective date of any FDA approval of Teva's ANDA be a date no earlier than the expiration of all of U.S. Patents No. 9,724,342, 10,034,873, 10,039,757 and 11,298,349, the latest of which expires on July 9, 2033, and equitable relief enjoining Teva from infringing these patents. On September 30, 2022, the parties filed a stipulation to consolidate the two lawsuits, numbered Civil Action Nos. 21-00871 and 22-01168, and to stay all proceedings, which was granted by the Delaware District Court on October 3, 2022. Following a similar order granted by the Delaware District Court on February 9, 2022 to stay all proceedings with respect to Civil Action No. 21-00871, this case remained administratively closed, and Civil Action No. 22-01168 was administratively closed on October 3, 2022. On July 18, 2023, we entered into a settlement and license agreement (the Teva Settlement Agreement) with Teva to end these litigations. Pursuant to the terms of the Teva Settlement Agreement, we will grant Teva a license to market its generic version of CABOMETYX in the U.S. beginning on January 1, 2031, if approved by the FDA and subject to the conditions and exceptions common to agreements of this type.

Cipla ANDA Litigation

On February 6, 2023, we received a notice letter regarding an ANDA submitted to the FDA by Cipla, Ltd. and Cipla USA, Inc. (individually and collectively referred to as Cipla), including a Paragraph IV certification with respect to our U.S. Patents No. 8,877,776 (salt and polymorphic forms), 9,724,342 (formulations), 10,039,757 (methods of treatment), 11,091,439 (crystalline salt forms), 11,091,440 (pharmaceutical composition), 11,098,015 (methods of treatment) and 11,298,349 (pharmaceutical composition). Cipla's notice letter did not provide a Paragraph IV certification against any additional CABOMETYX patents. On March 16, 2023, we filed a complaint in the Delaware District Court for patent infringement against Cipla asserting infringement of U.S. Patents No. 8,877,776, 11,091,439, 11,091,440, 11,098,015 and 11,298,349 arising from Cipla's ANDA filing with the FDA. Cipla's ANDA requests approval to market a generic version of CABOMETYX tablets prior to the expiration of the aforementioned patents. We are seeking, among other relief, an order that the effective date of any FDA approval of Cipla's ANDA would be a date no earlier than the expiration of all of U.S. Patents No. 8,877,776, 11,091,439, 11,091,440, 11,098,015 and 11,298,349, the latest of which expires on February 10, 2032, and equitable relief enjoining Cipla from infringing these patents. On May 4, 2023, we filed, under seal, a stipulation and proposed order to stay all proceedings, and the Delaware District Court, in a sealed order, granted the proposed order and administratively closed the case.

We may also from time to time become a party or subject to various other legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. Some of these proceedings have involved, and may involve in the future, claims that are subject to substantial uncertainties and unascertainable damages.

Item 1A. Risk Factors

Below we are providing, in supplemental form, changes to our risk factors from those previously disclosed in Part I, Item 1A of our Fiscal 2022 Form 10-K. Our risk factors disclosed in Part I, Item 1A of our Fiscal 2022 Form 10-K provide additional discussion regarding these supplemental risks and we encourage you to read and carefully consider all of the risk factors disclosed in Part I, Item 1A of our Fiscal 2022 Form 10-K, together with the below, for a more complete understanding of the risks and uncertainties material to our business.

Risks Related to the Commercialization of Our Products

Pricing for pharmaceutical products in the U.S. has come under increasing attention and scrutiny by federal and state governments, legislative bodies and enforcement agencies. Initiatives arising from this scrutiny may result in changes that have the effect of reducing our revenue or harming our business or reputation.

There continue to be U.S. Congressional inquiries, hearings and proposed and enacted federal legislation and rules, as well as executive orders and sub-regulatory guidance, designed to, among other things: reevaluate, reduce or limit the prices of drugs and make them more affordable for patients; implement additional data collection and transparency reporting regarding drug pricing, rebates, fees and other remuneration provided by drug manufacturers; revise rules associated with the calculation of average manufacturer price and best price under Medicaid and make other changes to the Medicaid Drug Rebate Program (MDRP), including through a recent Centers for Medicare & Medicaid Services (CMS)-proposed rulemaking for this program, that could significantly increase manufacturer rebate liability; eliminate the Anti-Kickback Statute (AKS) discount safe harbor protection for manufacturer rebate arrangements with pharmacy benefit managers and Medicare Part D plan sponsors; and create new AKS safe harbors applicable to certain point-of-sale discounts to patients and fixed fee administrative fee payment arrangements with pharmacy benefit managers. For instance in August 2022, President Biden signed the Inflation Reduction Act of 2022 (Inflation Reduction Act), which among other things: allows for the CMS to establish the prices of certain single-source drugs and biotherapeutics reimbursed under Medicare Part B and Part D (the Medicare Drug Price Negotiation Program); subjects drug manufacturers to potential civil monetary penalties and a significant excise tax for offering a price that is not equal to or less than the government-imposed "maximum fair price" under the law; imposes Medicare rebates for certain Part B and Part D drugs where relevant pricing metrics associated with the products increase faster than inflation; and redesigns the funding and benefit structure of the Medicare Part D program, potentially increasing manufacturer liability while capping annual out-of-pocket drug expenses for Medicare beneficiaries. These provisions started taking effect incrementally in late 2022 and currently are subject to various legal challenges. As of the date of this report, for example, CMS has begun to implement aspects of the Inflation Reduction Act and has released initial guidance addressing the Medicare Part B and Medicare Part D inflation rebate provisions of the Inflation Reduction Act. These provisions generally require manufacturers of Medicare Part B and Part D rebatable drugs to pay inflation rebates to the Medicare program if pricing metrics associated with their products increase faster than the rate of inflation. In addition, in March 2023, CMS released initial guidance setting forth the requirements

and procedures for implementing the Medicare Drug Price Negotiation Program for the first round of drug pricing evaluations, which will occur in 2023 and 2024 and result in prices effective in 2026. Among other things, the initial guidance specifies how CMS intends to identify selected drugs, the factors it may consider in establishing drug prices, how it may conduct the drug pricing evaluation process and what requirements may be set for manufacturers of selected drugs; CMS anticipates it will issue revised guidance later in 2023. Our revenues may be significantly impacted if cabozantinib or our other product candidates are eventually selected for evaluation under this program (including based on a determination that certain exceptions to the program do not apply to our products, such as the "Small Biotech Exception"). Furthermore, in May 2023, CMS released draft guidance on the Medicare Part D Manufacturer Discount Program, and while the program will include a phase-in of the discount for certain smaller manufacturers (known as "specified manufacturers" and "specified small manufacturers"), it will ultimately require increases in manufacturer contributions towards reducing patient out-of-pocket costs. Over time, the Inflation Reduction Act could reduce the revenues we are able to collect from sales of our products, present challenges for payor negotiations and formulary access for our products, and increase our government discount and rebate liabilities; however, the degree of impact that the Inflation Reduction Act will ultimately have upon our business remains unclear. In addition, we cannot know the final form or timing of any other legislative, regulatory and/or administrative measures, and some of these pending and enacted policy changes, if implemented as currently proposed, would likely have significant and far-reaching impacts on the biopharmaceutical industry and therefore likely also have a material adverse impact on our business, financial condition and results of operations.

At the state level, legislatures have increasingly passed legislation and implemented regulations designed to control pharmaceutical and biotherapeutic product pricing, including restrictions on pricing or reimbursement at the state government level, limitations on discounts to patients, marketing cost disclosure and transparency measures, and, in some cases, policies to encourage importation from other countries (subject to federal approval) and bulk purchasing, including the National Medicaid Pooling Initiative. In particular, the obligation to provide notices of price increases to purchasers under laws such as California's SB-17 may influence customer ordering patterns for CABOMETYX and COMETRIQ, which in turn may increase the volatility of our revenues as a reflection of changes in inventory volumes. Furthermore, adoption of these drug pricing transparency regulations, and our associated compliance obligations, may increase our general and administrative costs and/or diminish our revenues. Implementation of these federal and/or state cost-containment measures or other healthcare reforms may limit our ability to generate product revenue or commercialize our products, and in the case of drug pricing transparency regulations, may result in fluctuations in our results of operations.

Risks Related to Growth of Our Product Portfolio and Research and Development

The regulatory and pricing approval processes of the FDA and comparable foreign regulatory authorities are lengthy, uncertain and subject to change, and may not result in regulatory and pricing approvals for additional cabozantinib indications or for our other product candidates, which could have a material adverse impact on our business, financial condition and results of operations.

The activities associated with the research, development and commercialization of the cabozantinib franchise, zanzalintinib and our other product candidates are subject to extensive regulation by the FDA and other regulatory agencies in the U.S., as well as by comparable regulatory authorities in other territories. The processes of obtaining regulatory and pricing approvals in the U.S. and other foreign jurisdictions is expensive and often takes many years, if approval is obtained at all, and they can vary substantially based upon the type, complexity and novelty of the product candidates involved. For example, before an NDA or sNDA can be submitted to the FDA, or a marketing authorization application to the European Medicines Agency or any application or submission to comparable regulatory authorities in other jurisdictions, the product candidate must undergo extensive clinical trials, which can take many years and require substantial expenditures.

Any clinical trial may fail to produce results satisfactory to the FDA or regulatory authorities in other jurisdictions. The FDA has substantial discretion in the approval process and may refuse to approve any NDA or sNDA or decide that our data is insufficient for approval and require additional preclinical, clinical or other studies. In addition, we may encounter delays or rejections based upon changes in policy, which could cause delays in the approval or rejection of an application for cabozantinib or for zanzalintinib or our other product candidates. For example, the FDA launched Project Optimus in 2021 as an initiative to reform the dose optimization and dose selection paradigm in oncology drug development, which was driven by the FDA's concerns that the current paradigm for dose selection may result in doses and schedules of molecularly targeted therapies that are inadequately characterized before initiating pivotal trials. Through collaboration with the biopharmaceutical industry, academia and other stakeholders, the FDA's goal for this initiative is to advance an oncology dose-finding and dose optimization paradigm that emphasizes dose selections that maximize efficacy as well as safety and tolerability. In support of this initiative, the FDA may request sponsors of oncology product candidates to conduct dose optimization studies pre- or post-approval, and the FDA also continues to develop and finalize guidance

documents and implement initiatives regarding the development and clinical research of oncology product candidates. In January 2023, the FDA issued Draft Guidance for Industry, Optimizing the Dosage of Human Prescription Drugs and Biological Products for the Treatment of Oncologic Diseases, intended to assist sponsors in identifying the optimal dosages for these products during clinical development and prior to submitting an application for approval for a new indication and usage. In March 2023, the FDA issued another Draft Guidance for Industry, Clinical Trial Considerations to Support Accelerated Approval of Oncology Therapeutics, intended to provide recommendations to sponsors of anti-cancer drugs or biological products on considerations for designing trials intended to support accelerated approval.

Recently, in part due to questions raised by the process underlying the approval of an Alzheimer's disease drug, government authorities and other stakeholders have been scrutinizing the accelerated approval pathway, with some stakeholders advocating for reforms. Even prior to this, the FDA had held Oncologic Drugs Advisory Committee meetings to discuss accelerated approvals for which confirmatory trials have not verified clinical benefit. Such scrutiny, among other factors, has resulted in voluntary withdrawals of certain products and indications approved on an accelerated basis. Section 3210 of the Food and Drug Omnibus Reform Act of 2022 (incorporated in the 2023 Appropriations Act) revised the accelerated approval pathway. Although this legislation did not change the standard for accelerated approval, it, among other things: requires the FDA to specify the conditions for required post-marketing trials; permits the FDA to require such trials to be underway prior to approval, or within a specific period after approval; requires sponsors to provide reports on post-marketing trial progress no later than 180 days after approval and every 180 days thereafter until such trials are completed; makes the failure to conduct required post-marketing trials with due diligence and the failure to submit the required reports prohibited acts; and details procedures the FDA must follow to withdraw an accelerated approval on an expedited basis. While it is not clear at this time how these legislative and regulatory initiatives will affect our plans to pursue accelerated approval for one or more of our product candidates, these developments may have a material adverse impact on our business, financial condition and results of operations.

Even if the FDA or a comparable authority in another jurisdiction grants an accelerated approval for cabozantinib in one or more new indications or for one of our other product candidates, including zanzalintinib, such accelerated approval may be limited, imposing significant restrictions on the indicated uses, conditions for use, labeling, distribution, and/or production of the product and could impose requirements for post-marketing studies, including additional research and clinical trials, all of which may result in significant expense and limit our and our collaboration partners' ability to commercialize cabozantinib, zanzalintinib or our other product candidates in any new indications. Failure to complete post-marketing requirements of the FDA in connection with a specific accelerated approval in accordance with the timelines and conditions set forth by the FDA could significantly increase costs or delay, limit or ultimately restrict the commercialization of cabozantinib, zanzalintinib or another product candidate in the approved indication. Regulatory agencies could also impose various administrative, civil or criminal sanctions for failure to comply with regulatory requirements, including withdrawal of product approval. Further, current or any future laws or executive orders governing FDA or foreign regulatory approval processes that may be enacted or executed could have a material adverse impact on our business, financial condition and results of operations.

Risks Related to Our Relationships with Third Parties

We lack our own manufacturing and distribution capabilities necessary for us to produce materials required for certain preclinical activities and to produce and distribute our products for clinical development or for commercial sale, and our reliance on third parties for these services subjects us to various risks.

We do not operate our own current Good Manufacturing Practice manufacturing or distribution facilities for chemistry, manufacturing and control (CMC) development activities, preclinical, clinical or commercial production and distribution for our current products and new product candidates. Instead, we mostly rely on various third-party contract manufacturing organizations to conduct these operations on our behalf. As our operations continue to grow in these areas, we are advancing internal CMC development laboratories to augment our external network, while continuing to expand our external manufacturing and supply chain network through additional third-party contract manufacturers, distributors and suppliers. To establish and manage our manufacturing network and supply chain requires a significant financial commitment, the creation of numerous third-party contractual relationships and continued oversight of these third parties to fulfill compliance with applicable regulatory requirements. Although we maintain significant resources to directly and effectively oversee the activities and relationships with the companies in our network, we do not have direct control over their operations.

Our third-party contract manufacturers may not be able to produce or deliver material on a timely basis or manufacture material with the required quality standards, or in the quantity required to meet our preclinical, clinical development and commercial needs and applicable regulatory requirements. Although we have not yet experienced significant production delays or seen significant impairment to our supply chain as a result of the COVID-19 pandemic or the ongoing Russo-Ukrainian War, our third-party contract manufacturers, distributors and suppliers could experience operational delays due to lack of capacity or resources, facility closures and other hardships as a result of these types of global events, which could impact our supply chain by potentially causing delays to or disruptions in the supply of our preclinical, clinical or commercial products. If our third-party contract manufacturers, distributors and suppliers do not continue to supply us with our products or product candidates in a timely fashion and in compliance with applicable quality and regulatory requirements, or if they otherwise fail or refuse to comply with their obligations to us under our manufacturing, distribution and supply arrangements, we may not have adequate remedies for any breach. Furthermore, their failure to supply us could impair or preclude meeting commercial or clinical product supply requirements for us or our partners, which could delay product development and future commercialization efforts and have a material adverse impact on our business, financial condition and results of operations. In addition, through our third-party contract manufacturers and data service providers, we continue to provide serialized commercial products as required to comply with the Drug Supply Chain Security Act (DSCSA) and its foreign equivalents where applicable. If our third-party contract manufacturers or data service providers fail to support our efforts to continue to comply with DSCSA and its foreign equivalents, as well as any future electronic pedigree requirements, we may face legal penalties or be restricted from selling our products.

Risks Related to Healthcare Regulatory and Other Legal Compliance Matters

Enhanced governmental and private scrutiny over, or investigations or litigation involving, pharmaceutical manufacturer patient assistance programs and donations to patient assistance foundations created by charitable organizations could negatively impact our business practices, harm our reputation, divert the attention of management and increase our expenses.

To help patients afford our products, we have a patient assistance program and also make periodic donations to independent charitable foundations that help financially needy patients. These types of programs are designed to provide financial assistance to patients who might otherwise be unable to afford pharmaceuticals that they have been prescribed by their physicians and have become the subject of Congressional interest and enhanced government scrutiny. The HHS Office of Inspector General established guidelines permitting pharmaceutical manufacturers to make donations to charitable organizations that provide co-pay assistance to Medicare patients, provided that manufacturers meet certain specified compliance requirements. In the event we are found not to have complied with these guidelines and other laws or regulations respecting these arrangements, we could be subject to significant damages, fines, penalties or other criminal, civil or administrative sanctions or enforcement actions. Moreover, in December 2020, the CMS finalized changes to MDRP pricing calculations regarding the provision of co-payment assistance to patients that may be impacted by private insurer accumulator programs. The portion of this rule dealing with manufacturer co-payment assistance (and related support arrangements) was challenged and vacated by a federal court in May 2022 and was not appealed. Additionally, in May 2023, CMS issued a new proposed rulemaking that would repeal the changes implemented by the court-vacated December 2020 final rule regarding co-payment assistance programs. The May 2023 CMS proposed rulemaking would, however, adopt significant new changes in the MDRP. The changes, if finalized as drafted, could ultimately have significant impacts on our Medicaid rebate liability and potential exposure to penalties for MDRP participation.

We also rely on a third-party hub provider and exercise oversight to monitor patient assistance program activities. Hub providers are generally hired by manufacturers to assist patients with insurance coverage, financial assistance and treatment support after the patients receive a prescription from their healthcare professional. For manufacturers of specialty pharmaceuticals (including our marketed products), the ability to have a single point of contact for their therapies helps ensure efficient medication distribution to patients. Accordingly, our hub activities are also subject to scrutiny and may create risk for us if not conducted appropriately. A variety of entities, including independent charitable foundations and pharmaceutical manufacturers, but not including our company, have received subpoenas from the U.S. Department of Justice (DOJ) and other enforcement authorities seeking information related to their patient assistance programs and support, and certain of these entities have entered into costly civil settlement agreements with DOJ and other enforcement authorities that include requirements to maintain complex corporate integrity agreements that impose significant reporting and other requirements. Should we or our hub providers receive a subpoena or other process, regardless of whether we are ultimately found to have complied with the regulations governing patient assistance programs, this type of government investigation could negatively impact our business practices, harm our reputation, divert the attention of management and increase our expenses.

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

In March 2023, our Board of Directors authorized a stock repurchase program to acquire up to $550 million of our outstanding common stock before the end of 2023. As of June 30, 2023, approximately $423.0 million remained available for future stock repurchases pursuant to our stock repurchase program.

The timing and amount of any stock repurchases under the stock repurchase program will be based on a variety of factors, including ongoing assessments of the capital needs of the business, alternative investment opportunities, the market price of our common stock and general market conditions. Stock repurchases under the program may be made from time to time through a variety of methods, which may include open market purchases, block trades, accelerated stock repurchase transactions, 10b5-1 trading plans, exchange transactions, or any combination of such methods. The program does not obligate us to acquire any particular amount of our common stock, and the stock repurchase program may be modified, suspended or discontinued at any time without prior notice.

The following table summarizes the stock repurchase activity for the three months ended June 30, 2023 and the approximate dollar value of shares that may yet be purchased pursuant to our stock repurchase program (in thousands, except per share data):

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Program
April 1, 2023 - April 28, 2023	—	$ —	—	$ 550,000
April 29, 2023 - May 26, 2023	2,382	$ 19.32	2,382	$ 503,980
May 27, 2023 - June 30, 2023	4,226	$ 19.16	4,226	$ 423,016
Total	6,608		6,608	

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Dana T. Aftab, our Executive Vice President, Discovery and Translational Research, and Chief Scientific Officer, an officer for purposes of Section 16 of the Exchange Act, entered into a pre-arranged stock trading plan on May 25, 2023. Mr. Aftab's trading plan provides for the sale of up to 199,256 shares of our common stock (including shares obtained from the exercise of vested stock options covered by the trading plan) between August 24, 2023 and May 23, 2025. This trading plan is intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Exchange Act and Exelixis' policies regarding transactions in Exelixis securities.

During the three months ended June 30, 2023, no other directors or Section 16 officers of the Company adopted or terminated any Rule 10b5-1 trading arrangement or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408 of Regulation S-K.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporation by Reference				Filed Herewith
		Form	File Number	Exhibit/ Appendix Reference	Filing Date	
3.1	Restated Certificate of Incorporation of Exelixis, Inc.	10-Q	000-30235	3.1	8/5/2021	
3.2	Amended and Restated Bylaws of Exelixis, Inc.	8-K	000-30235	3.1	3/3/2021	
10.1	Exelixis, Inc. Change in Control and Severance Benefit Plan, as amended and restated					X
31.1	Certification of Principal Executive Officer Pursuant to Exchange Act Rules 13a-14(a) and Rule 15d-14(a)					X
31.2	Certification of Principal Financial Officer Pursuant to Exchange Act Rules 13a-14(a) and Rule 15d-14(a)					X
32.1‡	Certifications of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350					X
101.INS	XBRL Instance Document	The XBRL 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					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X

‡ This certification accompanies this Quarterly Report on Form 10-Q, is not deemed filed with the SEC and is not to be incorporated by reference into any filing of Exelixis, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of this Quarterly Report on Form 10-Q), irrespective of any general incorporation language contained in 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.

EXELIXIS, INC.

August 1, 2023
Date

By: /s/ Christopher J. Senner
Christopher J. Senner
Executive Vice President and Chief Financial Officer
(Duly Authorized Officer and Principal Financial and Accounting Officer)

Exhibit 10.1

EXELIXIS, INC.
CHANGE IN CONTROL AND SEVERANCE BENEFIT PLAN

SECTION 1. Introduction.

The Exelixis, Inc. Change in Control and Severance Benefit Plan (the "***Plan***"), established on December 9, 2005, and amended and restated effective December 23, 2008, December 1, 2010, and September 6, 2017, is hereby further amended and restated effective April 28, 2023 (the "***Effective Date***"). The purpose of the Plan is to provide for the payment of severance benefits to certain eligible employees of Exelixis, Inc. and its wholly owned subsidiaries in the event that such employees are subject to qualifying employment terminations and additional benefits if such qualifying employment termination occurs in connection with a Change in Control. This Plan shall supersede any severance benefit plan, contract, agreement, policy or practice maintained by the Company on the Effective Date; provided, however, that if any provision relating to stock options or other awards contained in any equity incentive plan adopted by the Company (the "***Equity Incentive Plan***"), or a stock option agreement or other agreement under the Equity Incentive Plan, is more favorable to an employee than the corresponding provision or the absence of such corresponding provision in the Plan, then such more favorable provision in the Equity Incentive Plan or such agreement shall govern, but the remainder of the Plan and such agreement shall continue in full force and effect. This document also is the Summary Plan Description for the Plan.

SECTION 2. Definitions.

For purposes of the Plan, except as otherwise provided in the applicable Participation Notice, the following terms are defined as follows:

(a) "*Base Salary*" means the Participant's annual base pay (excluding incentive pay, premium pay, commissions, overtime, bonuses, Cash Incentive Awards and other forms of variable compensation), at the higher of (i) the rate in effect during the last regularly scheduled payroll period immediately preceding the date of the Participant's Covered Termination, or (ii) in the event of a Covered Termination that is a Constructive Termination based on a reduction of the Participant's base salary, the rate in effect during the last regularly scheduled payroll period immediately preceding the date of such reduction, in each case divided by twelve (12).

(b) "*Board*" means the Board of Directors of Exelixis, Inc.

(c) "*Bonus*" means the Participant's target annual cash bonus established by the Company's Compensation Committee for the year in which the Covered Termination occurs divided by twelve (12).

(d) "*Cash Incentive Award*" means a cash incentive award subject to vesting based on Participant's continued service to the Company that is not a Bonus.

(e) "*Change in Control*" means one of the following events or a series of more than one of the following events: (i) when a person, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934) acquires beneficial ownership of the Company's capital stock equal to 50% or more of either (x) the then-outstanding shares of the Company's common stock or (y) the combined voting power of the Company's then-outstanding securities entitled to vote generally in the election of directors; (ii) upon the consummation by the Company of (x) a reorganization, merger or consolidation, provided that, in each case, the persons who were the Company's stockholders immediately prior to the reorganization, merger or consolidation do not, immediately after, own more than 50% of the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated company's then outstanding voting securities, or (y) a liquidation or dissolution of the Company or the sale of all or substantially all of the Company's assets; or (iii) when the Continuing Directors (as defined below) do not constitute a majority of the Board (or, if applicable, the Board of a successor corporation to the Company), where the term "Continuing Director" means at any date a member of the Board (x) who was a member of the Board on the date of the initial adoption of this Plan by the Board or (y) who was nominated or elected subsequent to such date by at least a majority of the directors who were Continuing Directors at the time of such nomination or election or whose election to the Board was recommended or endorsed by at least a majority of the directors who were Continuing Directors at the time of such nomination or election; provided, however, that any individual whose initial assumption of office occurred as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents, by or on behalf of a person other than the Board, is excluded from clause (iii)(y) above. For the purposes of this definition, (i) prior to a Change in Control, "Company" shall mean only Exelixis, Inc. or its successor and shall not include (A) its wholly owned subsidiaries or (B) the surviving or controlling entity resulting from a Change in Control or the entity to which the Company's assets were transferred in the case of an asset sale constituting a Change in Control and (ii) following a Change in Control, "Company" shall mean only Exelixis, Inc. (or its successor) and any surviving or controlling entity resulting from such Change in Control or the entity to which the Company's assets were transferred in the case of an asset sale constituting such a Change in Control and shall not include any wholly owned subsidiaries.

(f) "*Change in Control Termination*" means a Covered Termination which occurs within one (1) month prior to, as of, or within thirteen (13) months following the effective date of a Change in Control.

(g) "*Change in Control Termination Date*" means the later of (i) the effective date of the Participant's Change in Control Termination or (ii) the effective date of the applicable Change in Control.

(h) "*COBRA Period*" means (i) in the case of a Change in Control Termination, the applicable number of months set forth in Section 4(a)(iii) and (ii) in the case of a Covered Termination that is not a Change in Control Termination, (x) in the case of an Executive Participant, twelve (12) months and (y) in the case of a Participant who is not an Executive Participant, six (6) months.

(i) ***"Code"*** means the Internal Revenue Code of 1986, as amended.

(j) ***"Company"*** means Exelixis, Inc., its wholly owned subsidiaries, any successor to Exelixis, Inc. and, following a Change in Control, the surviving or controlling entity resulting from such a Change in Control or the entity to which the Company's assets were transferred in the case where the Change in Control is an asset sale.

(k) ***"Constructive Termination"*** means a voluntary termination of employment with the Company resulting in a "separation from service" within the meaning of Treasury Regulation Section 1.409A-1(h) (without regard to any permissible alternative definition of "termination of employment" thereunder) by a Participant after one of the following is undertaken without the Participant's written consent: (i) reduction of such Participant's base salary by more than ten percent (10%) as in effect immediately prior to the time such reduction occurs; (ii) the occurrence of a material diminution in the package of welfare benefit plans, taken as a whole, in which such Participant is entitled to participate immediately prior to the time such material diminution occurs (except that such Participant's contributions may be raised to the extent of any cost increases imposed by third parties); provided, however, that a separation from service based on such material diminution qualifies as an "involuntary separation from service" as provided under Treasury Regulation Section 1.409A-1(n)(2)(i) or (ii); (iii) a change in such Participant's responsibilities, authority or offices that, taken as a whole, result in a material diminution of position; provided, however, that a change in the Participant's title or reporting relationships shall not by itself constitute a Constructive Termination; (iv) a request that such Participant relocate to a worksite that is more than thirty-five (35) miles from such Participant's prior worksite, unless such Participant accepts such relocation opportunity; (v) a material reduction in duties; (vi) a failure or refusal of any successor company to assume the obligations of the Company under an agreement with such Participant; or (vii) a material breach by the Company of any of the material provisions of an agreement with such Participant, including, without limitation, a breach of the terms of any agreement or program providing for the payment of bonus compensation. Notwithstanding any provision of this definition of "Constructive Termination" to the contrary, (i) an event or action by the Company shall not give the Participant grounds to voluntarily terminate employment as a Constructive Termination unless the Participant gives the Company written notice within thirty (30) days of the initial existence of such event or action that the event or action by the Company would give the Participant such grounds to so terminate employment and such event or action is not reversed, remedied or cured, as the case may be, by the Company as soon as possible but in no event later than within thirty (30) days of receiving such written notice from the Participant and (ii) in order to constitute a Constructive Termination, the Participant must terminate employment with the Company within thirty (30) days following the end of the period within which the Company was entitled to reverse, remedy or cure such event or action but failed to do so. For the avoidance of doubt, the cessation of employment followed by the immediate commencement of services as an independent contractor for the Company, which does not result in a "separation from service" with the Company within the meaning of Treasury Regulation Section 1.409A-1(h), shall not constitute a Constructive Termination.

(l) "*Covered Termination*" means (x) an Involuntary Termination Without Cause or (y) a Constructive Termination if such Constructive Termination occurs any time after the date that is one (1) month prior to the effective date of the first Change in Control that occurs after the Participant commences participation in the Plan. Termination of employment of a Participant due to death or disability shall not constitute a Covered Termination unless a voluntary termination of employment by the Participant immediately prior to the Participant's death or disability would have qualified as a Constructive Termination.

(m) "*Covered Termination Date*" means (i) in the case of a Covered Termination that is an Involuntary Termination Without Cause, the effective date of the Participant's Involuntary Termination Without Cause, or (ii) in the case of a Covered Termination that is a Constructive Termination that occurs any time after the date that is one (1) month prior to the effective date of the first Change in Control that occurs after the Participant commences participation in the Plan, the later of (x) the effective date of the Participant's Constructive Termination or (y) the effective date of such Change in Control.

(n) "*Equity Incentive Plan*" means any equity incentive plan adopted by the Company.

(o) "*ERISA*" means the Employee Retirement Income Security Act of 1974, as amended.

(p) "*Involuntary Termination Without Cause*" means a Participant's involuntary termination of employment by the Company resulting in a "separation from service" within the meaning of Treasury Regulation Section 1.409A-1(h) (without regard to any permissible alternative definition of "termination of employment" thereunder) for a reason other than Cause. "Cause" means the occurrence of any one or more of the following: (i) the Participant's conviction of, or plea of no contest with respect to, any crime involving fraud, dishonesty or moral turpitude; (ii) the Participant's attempted commission of or participation in a fraud or act of dishonesty against the Company that results in (or might have reasonably resulted in) material harm to the business of the Company; (iii) the Participant's intentional, material violation of any contract or agreement between the Participant and the Company, any statutory duty the Participant owes to the Company, or any material Company policy; or (iv) the Participant's conduct that constitutes gross misconduct, insubordination, incompetence or habitual neglect of duties and that results in (or might have reasonably resulted in) material harm to the business of the Company; provided, however, that the conduct described under clause (iii) or (iv) above will only constitute Cause if such conduct is not cured within fifteen (15) days after the Participant's receipt of written notice from the Company or the Board specifying the particulars of the conduct that may constitute Cause. The determination that a termination of a Participant's employment is for Cause shall not be made unless and until there shall have been delivered to such Participant a copy of a resolution duly adopted by the affirmative vote of at least a majority of the Board at a meeting of the Board called and held for such purpose (after reasonable notice to such Participant and an opportunity for such Participant, together with such Participant's counsel, to be heard before the Board), finding that in the good faith opinion of the Board, such Participant was guilty of the conduct constituting "Cause" and specifying the particulars. For the avoidance of doubt, if, in connection with a Change in Control, an employee is terminated and offered "immediate reemployment" by the surviving or controlling entity

resulting from a Change in Control or the entity to which the Company's assets were transferred in the case of an asset sale constituting a Change in Control, then such termination shall not constitute an Involuntary Termination Without Cause. For purposes of the foregoing, "immediate reemployment" shall mean that the employee's employment with the surviving or controlling entity resulting from a Change in Control or the entity to which the Company's assets were transferred in the case of an asset sale constituting a Change in Control, results in uninterrupted employment such that the employee does not suffer a lapse in pay as a result of the Change in Control and the terms of such reemployment, taken as a whole, are not less favorable than the terms of employment with the Company immediately prior to such employee's termination of employment. For the avoidance of doubt, the cessation of employment followed by the immediate commencement of services as an independent contractor for the Company, which does not result in a "separation from service" with the Company within the meaning of Treasury Regulation Section 1.409A-1(h), shall not constitute an Involuntary Termination Without Cause.

(q) "*Participant*" means an individual (i) who is employed by the Company as its Chief Executive Officer, President, executive vice president, senior vice president, vice president or any other officer with a rank of vice president or above and (ii) who has received a Participation Notice from and executed and returned such Participation Notice to the Company. The determination of whether an employee is a Participant shall be made by the Plan Administrator, in its sole discretion, and such determination shall be binding and conclusive on all persons. "***Executive Participant***" means a Participant who has been designated as an Executive Participant on the Participant's Participation Notice. For purposes of determining any benefits under the Plan, the position or level of any individual (as the Chief Executive Officer, an Executive Participant, or a Participant who is not an Executive Participant) will be the higher of (i) such individual's position or level on the effective date of his or her Covered Termination, or (ii) in the event of a Covered Termination that is a Constructive Termination based on a material diminution of such individual's position, such individual's position or level immediately preceding the date of such diminution.

(r) "*Participation Notice*" means the latest notice delivered by the Company to a Participant informing the employee that the employee is a Participant in the Plan, substantially in the form of **Exhibit A** hereto.

(s) "*Plan Administrator*" means the Board or any committee duly authorized by the Board to administer the Plan. The Plan Administrator may, but is not required to be, the Compensation Committee of the Board. The Board may at any time administer the Plan, in whole or in part, notwithstanding that the Board has previously appointed a committee to act as the Plan Administrator.

SECTION 3. Eligibility For Benefits.

(a) General Rules. Subject to the provisions set forth in this Section and Section 7, in the event of a Covered Termination, the Company will provide the severance benefits described in Section 4 of the Plan to the affected Participant.

(b) Exceptions to Benefit Entitlement. An employee, including an employee who otherwise is a Participant, will not receive benefits under the Plan (or will receive reduced benefits under the Plan) in the following circumstances, as determined by the Company in its sole discretion:

(i) The employee has executed an individually negotiated employment contract or agreement with the Company relating to severance or change in control benefits that is in effect on his or her termination date, in which case such employee's severance benefit, if any, shall be governed by the terms of such individually negotiated employment contract or agreement.

(ii) The employee voluntarily terminates employment with the Company in order to accept employment with another entity that is controlled (directly or indirectly) by the Company or is otherwise an affiliate of the Company.

(iii) The employee does not confirm in writing that he or she shall be subject to the Company's Employee Proprietary Information and Inventions Agreement.

(c) Termination of Benefits. A Participant's right to receive the payment of benefits under this Plan shall terminate immediately if, at any time prior to or during the period for which the Participant is receiving benefits hereunder, the Participant, without the prior written approval of the Company:

(i) willfully breaches a material provision of the Participant's Employee Proprietary Information and Inventions Agreement with the Company, as referenced in Section 3(b)(iii); or

(ii) willfully encourages or solicits any of the Company's then current employees to leave the Company's employ.

SECTION 4. Amount of Benefits.

(a) Cash Severance Benefits. Except as provided in the applicable Participation Notice:

(i) Each Participant who incurs a Covered Termination that is not also a Change in Control Termination shall be entitled to receive a cash severance benefit equal to (x) twelve (12) months of Base Salary in the case of an Executive Participant and (y) six (6) months of Base Salary in the case of a Participant who is not an Executive Participant. Any cash severance benefits provided under this Section 4(a)(i) shall be paid pursuant to the provisions of Section 5.

(ii) Each Participant who incurs a Change in Control Termination shall be entitled to receive a cash severance benefit equal to the sum of the Participant's Base Salary plus Bonus for the applicable number of months set forth in Section 4(a)(iii). If a Participant serves in two or more positions set forth in the table below, such cash severance benefit shall be for the position with the greatest number of months of cash severance, with no additional cash severance for the other position(s). Any cash severance benefits provided under this Section 4(a)(ii) shall be paid pursuant to the provisions of Section 5.

(iii) For the purposes of determining (x) the number of months of severance benefits in the event of a Change in Control Termination pursuant to Section 4(a)(ii) and (y) the COBRA Period in the event of a Change in Control Termination, the following periods shall be used.

Position or Level	Months
Chief Executive Officer	24 months
Executive Participants other than the Chief Executive Officer	18 months
Participants who are not Executive Participants	12 months

(b) Accelerated Stock Award and Cash Incentive Award Vesting and Extended Exercisability of Stock Options. If a Participant incurs a Change in Control Termination, then effective as of the later of the Participant's Change in Control Termination Date or, if applicable, the effective date of the release described in Section 7(a), (i) the vesting and exercisability of all outstanding options to purchase the Company's common stock (or stock appreciation rights or similar rights or other rights with respect to stock of the Company issued pursuant to the Equity Incentive Plan) and the vesting of all outstanding and unvested Cash Incentive Awards that are held by the Participant on the effective date of such Change in Control Termination shall be accelerated in full, and (ii) any reacquisition or repurchase rights held by the Company in respect of common stock issued or issuable (or in respect of similar rights or other rights with respect to stock of the Company issued or issuable pursuant to the Equity Incentive Plan) pursuant to any other stock award granted to the Participant by the Company shall lapse. In order to give effect to the intent of this provision, in the event of a Participant's Change in Control Termination, notwithstanding anything to the contrary set forth in the Equity Incentive Plan or an option or other stock award agreement under the Equity Incentive Plan or any agreements related to a Participant's Cash Incentive Awards, in no event will any portion of the Participant's option or other stock award or Cash Incentive Award be forfeited or terminate prior to the later of the Participant's Change in Control Termination Date or, if applicable, the effective date of the release described in Section 7(a).

In addition, if a Participant incurs a Change in Control Termination, the post-termination of employment exercise period of any outstanding option (or stock appreciation right or similar right or other rights with respect to stock of the Company issued pursuant to the Equity Incentive Plan) held by the Participant on the date of his or her Change in Control Termination shall be extended, if necessary, such that the post-termination of employment exercise period shall not terminate prior to the later of (i) the date twelve (12) months after the Change in Control Termination Date or (ii) the post-termination exercise period provided for in such option or other stock award; provided, however, that such stock right shall not be exercisable after the expiration of its maximum term. Notwithstanding the foregoing, stock rights granted

prior to the Effective Date shall not be exercisable after the later of (A) the 15th day of the third month following the date at which, or (B) December 31 of the calendar year in which, the stock right would otherwise have expired if the stock right had not been extended.

Notwithstanding the provisions of this Section 4(b), in the event that the provisions of this Section 4(b) regarding acceleration of vesting of an option or other stock award or extended exercisability of an option or other stock award would adversely affect a Participant's option or other stock award (including, without limitation, its status as an incentive stock option under Section 422 of the Code) that is outstanding on the date the Participant commences participation in the Plan, such acceleration of vesting and/or extended exercisability shall be deemed null and void as to such option or other stock award unless the affected Participant consents in writing to such acceleration of vesting or extended exercisability as to such option or other stock award within thirty (30) days after becoming a Participant in the Plan.

(c) Continued Medical Benefits. If a Participant incurs a Covered Termination and the Participant was enrolled in a health, dental, or vision plan sponsored by the Company immediately prior to such Covered Termination, the Participant may be eligible to continue coverage under such health, dental, or vision plan (or to convert to an individual policy), at the time of the Participant's termination of employment, under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("***COBRA***"). The Company will notify the Participant of any such right to continue such coverage at the time of termination pursuant to COBRA. No provision of this Plan will affect the continuation coverage rules under COBRA, except that the Company's payment, if any, of applicable insurance premiums will be credited as payment by the Participant for purposes of the Participant's payment required under COBRA. Therefore, the period during which a Participant may elect to continue the Company's health, dental, or vision plan coverage at his or her own expense under COBRA, the length of time during which COBRA coverage will be made available to the Participant, and all other rights and obligations of the Participant under COBRA (except the obligation to pay insurance premiums that the Company pays, if any) will be applied in the same manner that such rules would apply in the absence of this Plan.

If a Participant timely elects continued coverage under COBRA, the Company shall pay the full amount of the Participant's COBRA premiums on behalf of the Participant for the Participant's continued coverage under the Company's health, dental and vision plans, including coverage for the Participant's eligible dependents, during the number of months equal to the COBRA Period; provided, however, that if the COBRA Period exceeds the length of time that the Participant is entitled to coverage under COBRA (including any additional period under analogous provisions of state law), the Company or any resulting or acquiring entity or transferee entity (in the case of an asset sale) involved in a Change in Control, as applicable, shall be required to provide health, dental and vision insurance coverage for the Participant and his or her eligible dependents for any portion of the COBRA Period that exceeds the length of time that the Participant is entitled to coverage under COBRA (including any additional period under analogous provisions of state law), at a level of coverage that is substantially similar to the continued coverage that the Participant and his or her eligible dependents received under the Company's health, dental and vision plans; provided further, however, that no such

premium payments (or any other payments for medical, dental or vision coverage by the Company) shall be made following the Participant's death or the effective date of the Participant's coverage by a medical, dental or vision insurance plan of a subsequent employer. Each Participant shall be required to notify the Company immediately if the Participant becomes covered by a medical, dental or vision insurance plan of a subsequent employer. Upon the conclusion of the COBRA Period (or such shorter period during which the Company is obligated to pay premiums pursuant to this Section 4(c)), the Participant will be responsible for the entire payment of premiums required under COBRA.

For purposes of this Section 4(c), (i) references to COBRA shall be deemed to refer also to analogous provisions of state law and (ii) any applicable insurance premiums that are paid by the Company shall not include any amounts payable by the Participant under an Internal Revenue Code Section 125 health care reimbursement plan, which amounts, if any, are the sole responsibility of the Participant.

Notwithstanding the foregoing, if the Company, in its sole discretion, determines that it cannot provide the foregoing subsidy of COBRA coverage without potentially violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), the Company instead shall provide to the Participant a taxable monthly payment in an amount equal to the monthly COBRA premium that the Participant would be required to pay to continue the group health coverage in effect on the date of the Covered Termination (which amount shall be based on the premium for the first month of COBRA coverage), which payments shall be made regardless of whether the Participant elects COBRA continuation coverage, shall commence on the later of (i) the first day of the month following the month in which the Covered Termination Date or Change in Control Termination Date, as applicable, occurs, (ii) the effective date of the release described in Section 7(a), if applicable, and (iii) the effective date of the Company's determination of violation of applicable law, and shall end on the earliest of (x) the Participant's death, (y) the effective date on which the Participant becomes covered by a medical, dental or vision insurance plan of a subsequent employer, and (z) the last day of the COBRA Period.

(d) Outplacement Services. If a Participant incurs a Change in Control Termination, the Company shall pay, on behalf of the Participant, for outplacement services with an outplacement service provider selected by the Company for the applicable time period specified below; provided, however, that the payments made by the Company for such outplacement services shall not exceed the applicable maximum amount set forth below; provided further, however, that such payments qualify for the exception provided by Treasury Regulation Sections 1.409A-1(b)(9)(v)(A) and (C).

Position or Level	Time Period	Maximum Amount
Chief Executive Officer	24 months	$50,000
Executive Participants other than the Chief Executive Officer	18 months	$30,000
Participants who are not Executive Participants	12 months	$20,000

(e) Other Employee Benefits. All other benefits (such as life insurance, disability coverage, and 401(k) plan coverage) shall terminate as of the Participant's termination date (except to the extent that a conversion privilege may be available thereunder).

(f) Additional Benefits. Notwithstanding the foregoing, the Company may, in its sole discretion, provide additional or enhanced benefits to those benefits provided for pursuant to Sections 4(a), 4(b), 4(c) and 4(d) to Participants or employees who are not Participants ("***Non-Participants***") chosen by the Company, in its sole discretion, and the provision of any such benefits to a Participant or a Non-Participant shall in no way obligate the Company to provide such benefits to any other Participant or to any other Non-Participant, even if similarly situated. If benefits under the Plan are provided to a Non-Participant, references in the Plan to "Participant" (with the exception of Sections 4(a), 4(b), 4(c) and 4(d)) shall be deemed to refer to such Non-Participants.

SECTION 5. Time and Form Of Severance Payments**.**

(a) General Rules. Subject to Section 5(b), any cash severance benefit provided under Section 4(a) shall be paid in installments, pursuant to the Company's regularly scheduled payroll periods, commencing on the first regularly scheduled payroll period following the later of (i) the Participant's Covered Termination Date or Change in Control Termination Date, as applicable, or (ii) the effective date of the release described in Section 7(a), if applicable, and shall be subject to all applicable withholding for federal, state and local taxes. In the event of a Participant's death prior to receiving all installment payments of his or her cash severance benefit under Section 4(a), any remaining installment payments shall be made to the Participant's estate on the same payment schedule as would have occurred absent the Participant's death. In no event shall payment of any Plan benefit be made prior to the Participant's Covered Termination Date or Change in Control Termination Date, as applicable, or prior to the effective date of the release described in Section 7(a), if applicable.

(b) Application of Section 409A.

(i) All payments provided under this Plan are intended to constitute separate payments for purposes of Treasury Regulation Section 1.409A-2(b)(2).

(ii) If a Participant is a "specified employee" of the Company or any affiliate thereof (or any successor entity thereto) within the meaning of Section 409A(a)(2)(B)(i) of the Code on the date of a Covered Termination, then any cash severance payments pursuant to Section 4(a) and any other benefits payable under the Plan (collectively, the "***Severance Payments***") shall be delayed until the date that is six (6) months after the date of the Covered Termination (such date, the "***Delayed Payment Date***"), and the Company (or the successor entity thereto, as applicable) shall (A) pay to Participant a lump sum amount equal to the sum of the Severance Payments that otherwise would have been paid to Participant on or before the Delayed Payment Date, without any adjustment on account of such delay, and (B) continue the Severance Payments in accordance with any applicable payment schedules set forth for the balance of the period specified herein. Notwithstanding the foregoing, (i) Severance Payments scheduled to be paid from the date of a Covered Termination through March 15th of the calendar year following such termination shall be paid to the maximum extent permitted pursuant to the "short-term deferral" rule set forth in Treasury Regulation Section 1.409A-1(b)(4); (ii) Severance Payments scheduled to be paid that are not paid pursuant to the preceding clause (i) shall be paid as scheduled to the maximum extent permitted pursuant to an "involuntary separation from service" as permitted by Treasury Regulation Section 1.409A-1(b)(9)(iii), but in no event later than the last day of the second taxable year following the taxable year of the Covered Termination; and (iii) any Severance Payments that are not paid pursuant to either the preceding clause (i) or the preceding clause (ii) shall be subject to delay, if necessary to avoid the imposition of the adverse personal tax consequences under Section 409A of the Code, as provided in the previous sentence. Except to the extent that payments may be delayed until the Delayed Payment Date, on the first regularly scheduled payroll period following the later of (x) the Participant's Covered Termination Date or Change in Control Termination Date, as applicable, or (y) the effective date of the release described in Section 7(a), if applicable, the Company will pay the Participant the cash severance payments pursuant to Section 4(a) the Participant would otherwise have received under the Plan on or prior to such date but for the delay in payment related to the effectiveness of the release described in Section 7(a), if any, with the balance of such payments being paid as otherwise provided herein.

(iii) If the Company determines that any benefit payable under the Plan constitutes "deferred compensation" under Section 409A of the Code and the Participant's Covered Termination occurs at a time during the calendar year when the release described in Section 7(a) could become effective in the calendar year following the calendar year in which such Covered Termination occurs, then for purposes of such benefit, such release will not be deemed effective any earlier than the latest permitted effective date set forth therein (which date, in all cases, will be in the subsequent calendar year).

(iv) Benefits provided under Section 4(b) are intended to be provided pursuant to the exception provided by Treasury Regulation Sections 1.409A-1(b)(5)(v)(C)(1) and

1.409A-1(b)(5)(v)(E), to the extent applicable. Amounts paid under Section 4(c) are not intended to be delayed pursuant to Section 409A(a)(2)(B)(i) of the Code and are intended to be paid pursuant to the exception provided by Treasury Regulation Section 1.409A-1(b)(9)(v)(B), to the extent applicable. Amounts paid under Section 4(d) are intended to qualify for the exception provided under Treasury Regulation Sections 1.409A-1(b)(9)(v)(A) and (C).

SECTION 6. Reemployment.

In the event of a Participant's reemployment by the Company during the period of time in respect of which severance benefits pursuant to Section 4(a) or Section 4(f) have been paid, the Company, in its sole and absolute discretion, may require such Participant to repay to the Company all or a portion of such severance benefits as a condition of reemployment.

SECTION 7. Limitations on Benefits.

(a) Release. In order to be eligible to receive benefits under the Plan and if requested by the Company, a Participant also must execute, in connection with the Participant's Covered Termination or Change in Control Termination, a general waiver and release in substantially the form attached hereto as **Exhibit B**, **Exhibit C** or **Exhibit D**, as appropriate, and such release must become effective in accordance with its terms; provided, however, (i) no such release shall require the Participant to forego any unpaid salary, any accrued but unpaid vacation pay or any benefits payable pursuant to this Plan, and (ii) cash severance benefits pursuant to Section 4(a) shall commence to be paid on the first regularly scheduled payroll period following the later of (x) the Participant's Covered Termination Date or Change in Control Termination Date, as applicable, or (y) the effective date of such general waiver and release (the ***"Release Effective Date"***), in accordance with and subject to Section 5, and any installment payments that, in the absence of the requirement of a general waiver and release, would have been paid between the Participant's Covered Termination Date or Change in Control Termination Date, as applicable and the Release Effective Date shall be made together with the first installment payment that occurs following the Release Effective Date such that the duration of payments will not be affected by the timing of the Release Effective Date. With respect to any outstanding option, other stock award or Cash Incentive Award held by the Participant, no provision set forth in this Plan granting the Participant any accelerated vesting or additional rights to exercise the option or other stock award will be effective unless and until the release, if requested, becomes effective. The Company, in its sole discretion, may modify the form of the required release to comply with applicable law and shall determine the form of the required release, which may be incorporated into a termination agreement or other agreement with the Participant.

(b) Certain Reductions. The Company, in its sole discretion, shall have the authority to reduce a Participant's severance benefits, in whole or in part, by any other severance benefits, pay in lieu of notice, or other similar benefits payable to the Participant by the Company that become payable in connection with the Participant's termination of employment pursuant to (i) any applicable legal requirement, including, without limitation, the Worker Adjustment and Retraining Notification Act (the "***WARN Act***"), (ii) a written employment or severance agreement with the Company, or (iii) any Company policy or practice providing for the

Participant to remain on the payroll for a limited period of time after being given notice of the termination of the Participant's employment. The benefits provided under this Plan are intended to satisfy, in whole or in part, any and all statutory obligations and other contractual obligations of the Company that may arise out of a Participant's termination of employment, and the Plan Administrator shall so construe and implement the terms of the Plan. The Company's decision to apply such reductions to the severance benefits of one Participant and the amount of such reductions shall in no way obligate the Company to apply the same reductions in the same amounts to the severance benefits of any other Participant, even if similarly situated. In the Company's sole discretion, such reductions may be applied on a retroactive basis, with severance benefits previously paid being recharacterized as payments pursuant to the Company's statutory or other contractual obligations.

(c) Mitigation. Except as otherwise specifically provided herein, a Participant shall not be required to mitigate damages or the amount of any payment provided under this Plan by seeking other employment or otherwise, nor shall the amount of any payment provided for under this Plan be reduced by any compensation earned by a Participant as a result of employment by another employer or any retirement benefits received by such Participant after the date of the Participant's termination of employment with the Company.

(d) Non-Duplication of Benefits. Except as otherwise specifically provided for herein, no Participant is eligible to receive benefits under this Plan or pursuant to other contractual obligations more than one time. This Plan is designed to provide certain severance pay and change in control benefits to Participants pursuant to the terms and conditions set forth in this Plan. The payments pursuant to this Plan are in addition to, and not in lieu of, any unpaid salary, bonuses or benefits (other than severance or change in control benefits) to which a Participant may be entitled for the period ending with the Participant's Covered Termination.

(e) Indebtedness of Participants. If a Participant is indebted to the Company on the effective date of his or her Covered Termination, the Company reserves the right to offset any severance payments under the Plan by the amount of such indebtedness.

(f) Parachute Payments. Except as otherwise provided in an agreement between a Participant and the Company, if any payment or benefit the Participant would receive in connection with a Change in Control from the Company or otherwise ("***Payment***") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code, and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "***Excise Tax***"), then such Payment shall be equal to the Reduced Amount. The "Reduced Amount" shall be either (x) the largest portion of the Payment that would result in no portion of the Payment being subject to the Excise Tax, or (y) the largest portion, up to and including the total, of the Payment, whichever amount, after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in the Participant's receipt of the greatest economic benefit notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in payments or benefits constituting "parachute payments" is necessary so that the Payment equals the Reduced Amount, reduction shall occur in a manner (the "***Reduction***

Method") necessary to provide the Participant with the greatest economic benefit. If more than one manner of reduction of payments or benefits necessary to arrive at the Reduced Amount yields the greatest economic benefit, the payments and benefits shall be reduced *pro rata* (the "***Pro Rata Reduction Method***").

Notwithstanding any provision of the foregoing paragraph to the contrary, if the Reduction Method or the Pro Rata Reduction Method would result in any portion of the Payment being subject to taxes pursuant to Section 409A of the Code that would not otherwise be subject to taxes pursuant to Section 409A of the Code, then the Reduction Method and/or the Pro Rata Reduction Method, as the case may be, will be modified so as to avoid the imposition of taxes pursuant to Section 409A of the Code as follows: (A) as a first priority, the modification will preserve to the greatest extent possible, the greatest economic benefit for the Participant as determined on an after-tax basis; (B) as a second priority, Payments that are contingent on future events (*e.g.*, being terminated without Cause), will be reduced (or eliminated) before Payments that are not contingent on future events; and (C) as a third priority, Payments that are "deferred compensation" within the meaning of Section 409A of the Code will be reduced (or eliminated) before Payments that are not "deferred compensation" within the meaning of Section 409A of the Code.

If a Participant receives a Payment for which the Reduced Amount was determined pursuant to clause (x) of the first paragraph of this Section 7(f) and the Internal Revenue Service determines thereafter that some portion of the Payment is subject to the Excise Tax, the Participant agrees to promptly return to the Company a sufficient amount of the Payment (after reduction pursuant to clause (x) of the first paragraph of this Section 7(f)) so that no portion of the remaining Payment is subject to the Excise Tax. For the avoidance of doubt, if the Reduced Amount was determined pursuant to clause (y) of the first paragraph of this Section 7(f), the Participant will have no obligation to return any portion of the Payment pursuant to the preceding sentence.

SECTION 8. Right To Interpret Plan; Amendment and Termination.

(a) Exclusive Discretion. The Plan Administrator shall have the exclusive discretion and authority to establish rules, forms, and procedures for the administration of the Plan and to construe and interpret the Plan and to decide any and all questions of fact, interpretation, definition, computation or administration arising in connection with the operation of the Plan, including, but not limited to, the eligibility to participate in the Plan and amount of benefits paid under the Plan. The rules, interpretations, computations and other actions of the Plan Administrator shall be binding and conclusive on all persons.

(b) Amendment or Termination. The Company reserves the right to amend or terminate this Plan, any Participation Notice issued pursuant to the Plan or the benefits provided hereunder at any time; provided, however, that (i) no such amendment or termination shall reduce or otherwise adversely affect the severance benefits provided in Sections 4(a)(i) or 4(c) to a Participant in connection with a Covered Termination that is not a Change in Control Termination, unless such Participant consents in writing to such amendment or termination and (ii) no such amendment or termination shall occur following the date one (1) month prior to a

Change in Control as to any Participant who would be adversely affected by such amendment or termination unless such Participant consents in writing to such amendment or termination. Any action amending or terminating the Plan or any Participation Notice shall be in writing and executed by a duly authorized officer of the Company. Unless otherwise required by law, no approval of the shareholders of the Company shall be required for any amendment or termination including any amendment that increases the benefits provided under any option or other stock award.

SECTION 9. No Implied Employment Contract.

The Plan shall not be deemed (i) to give any employee or other person any right to be retained in the employ of the Company or (ii) to interfere with the right of the Company to discharge any employee or other person at any time, with or without cause, which right is hereby reserved.

SECTION 10. Legal Construction.

This Plan shall be governed by and construed under the laws of the State of California (without regard to principles of conflict of laws), except to the extent preempted by ERISA.

SECTION 11. Claims, Inquiries And Appeals.

(a) Applications for Benefits and Inquiries. Any application for benefits, inquiries about the Plan or inquiries about present or future rights under the Plan must be submitted to the Plan Administrator in writing by an applicant (or his or her authorized representative). The Plan Administrator is:

Exelixis, Inc.
Attn: Corporate Secretary
1851 Harbor Bay Parkway
Alameda, CA 94502

(b) Denial of Claims. In the event that any application for benefits is denied in whole or in part, the Plan Administrator must provide the applicant with written or electronic notice of the denial of the application, and of the applicant's right to review the denial. Any electronic notice will comply with the regulations of the U.S. Department of Labor. The notice of denial will be set forth in a manner designed to be understood by the applicant and will include the following:

(1) the specific reason or reasons for the denial;

(2) references to the specific Plan provisions upon which the denial is based;

(3) a description of any additional information or material that the Plan Administrator needs to complete the review and an explanation of why such information or material is necessary; and

(4) an explanation of the Plan's review procedures and the time limits applicable to such procedures, including a statement of the applicant's right to bring a civil action under Section 502(a) of ERISA following a denial on review of the claim, as described in Section 11(d) below.

This notice of denial will be given to the applicant within ninety (90) days after the Plan Administrator receives the application, unless special circumstances require an extension of time, in which case, the Plan Administrator has up to an additional ninety (90) days for processing the application. If an extension of time for processing is required, written notice of the extension will be furnished to the applicant before the end of the initial ninety (90) day period.

This notice of extension will describe the special circumstances necessitating the additional time and the date by which the Plan Administrator is to render its decision on the application.

(c) Request for a Review. Any person (or that person's authorized representative) for whom an application for benefits is denied, in whole or in part, may appeal the denial by submitting a request for a review to the Plan Administrator within sixty (60) days after the application is denied. A request for a review shall be in writing and shall be addressed to:

Exelixis, Inc.
Attn: Corporate Secretary
1851 Harbor Bay Parkway
Alameda, CA 94502

A request for review must set forth all of the grounds on which it is based, all facts in support of the request and any other matters that the applicant feels are pertinent. The applicant (or his or her representative) shall have the opportunity to submit (or the Plan Administrator may require the applicant to submit) written comments, documents, records, and other information relating to his or her claim. The applicant (or his or her representative) shall be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to his or her claim. The review shall take into account all comments, documents, records and other information submitted by the applicant (or his or her representative) relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

(d) Decision on Review. The Plan Administrator will act on each request for review within sixty (60) days after receipt of the request, unless special circumstances require an extension of time (not to exceed an additional sixty (60) days), for processing the request for a review. If an extension for review is required, written notice of the extension will be furnished to the applicant within the initial sixty (60) day period. This notice of extension will describe the special circumstances necessitating the additional time and the date by which the Plan Administrator is to render its decision on the review. The Plan Administrator will give prompt, written or electronic notice of its decision to the applicant. Any electronic notice will comply

with the regulations of the U.S. Department of Labor. In the event that the Plan Administrator confirms the denial of the application for benefits in whole or in part, the notice will set forth, in a manner designed to be understood by the applicant, the following:

(1) the specific reason or reasons for the denial;

(2) references to the specific Plan provisions upon which the denial is based;

(3) a statement that the applicant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to his or her claim; and

(4) a statement of the applicant's right to bring a civil action under Section 502(a) of ERISA.

(e) Rules and Procedures. The Plan Administrator will establish rules and procedures, consistent with the Plan and with ERISA, as necessary and appropriate in carrying out its responsibilities in reviewing benefit claims. The Plan Administrator may require an applicant who wishes to submit additional information in connection with an appeal from the denial of benefits to do so at the applicant's own expense.

(f) Exhaustion of Remedies. No legal action for benefits under the Plan may be brought until the applicant (i) has submitted a written application for benefits in accordance with the procedures described by Section 11(a) above, (ii) has been notified by the Plan Administrator that the application is denied, (iii) has filed a written request for a review of the application in accordance with the appeal procedure described in Section 11(c) above, and (iv) has been notified that the Plan Administrator has denied the appeal. Notwithstanding the foregoing, if the Plan Administrator does not respond to an applicant's claim or appeal within the relevant time limits specified in this Section 11, the applicant may bring legal action for benefits under the Plan pursuant to Section 502(a) of ERISA.

SECTION 12. Basis Of Payments To And From Plan.

All benefits under the Plan shall be paid by the Company. The Plan shall be unfunded, and benefits hereunder shall be paid only from the general assets of the Company.

SECTION 13. Other Plan Information.

(a) Employer and Plan Identification Numbers. The Employer Identification Number assigned to the Company (which is the "Plan Sponsor" as that term is used in ERISA) by the Internal Revenue Service is 04-3257395. The Plan Number assigned to the Plan by the Plan Sponsor pursuant to the instructions of the Internal Revenue Service is 507.

(b) Ending Date for Plan's Fiscal Year. The date of the end of the fiscal year for the purpose of maintaining the Plan's records is December 31.

(c) Agent for the Service of Legal Process. The agent for the service of legal process with respect to the Plan is:

Exelixis, Inc.
Attn: Corporate Secretary
1851 Harbor Bay Parkway
Alameda, CA 94502

(d) Plan Sponsor and Administrator. The "Plan Sponsor" and the "Plan Administrator" of the Plan is:

Exelixis, Inc.
Attn: Corporate Secretary
1851 Harbor Bay Parkway
Alameda, CA 94502

The Plan Sponsor's and Plan Administrator's telephone number is (650) 837-7000. The Plan Administrator is the named fiduciary charged with the responsibility for administering the Plan.

SECTION 14. Statement Of ERISA Rights.

Participants in this Plan (which is a welfare benefit plan sponsored by Exelixis, Inc.) are entitled to certain rights and protections under ERISA. If you are a Participant, you are considered a participant in the Plan for the purposes of this Section 14 and, under ERISA, you are entitled to:

Receive Information About Your Plan and Benefits

(a) Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites, all documents governing the Plan and a copy of the latest annual report (Form 5500 Series), if applicable, filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration;

(b) Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan and copies of the latest annual report (Form 5500 Series), if applicable, and an updated (as necessary) Summary Plan Description. The Administrator may make a reasonable charge for the copies; and

(c) Receive a summary of the Plan's annual financial report, if applicable. The Plan Administrator is required by law to furnish each participant with a copy of this summary annual report.

Prudent Actions By Plan Fiduciaries

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate the Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you

and other Plan participants and beneficiaries. No one, including your employer, your union or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a Plan benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a Plan benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Plan documents or the latest annual report from the Plan, if applicable, and do not receive them within thirty (30) days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator.

If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or Federal court.

If you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance With Your Questions

If you have any questions about the Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

SECTION 15. General Provisions.

(a) Notices. Any notice, demand or request required or permitted to be given by either the Company or a Participant pursuant to the terms of this Plan shall be in writing and shall be deemed given when delivered personally or deposited in the U.S. mail, First Class with postage prepaid, and addressed to the parties, in the case of the Company, at the address set forth in Section 11(a) and, in the case of a Participant, at the address as set forth in the Company's

employment file maintained for the Participant as previously furnished by the Participant or such other address as a party may request by notifying the other in writing.

(b) Transfer and Assignment. The rights and obligations of a Participant under this Plan may not be transferred or assigned without the prior written consent of the Company. This Plan shall be binding upon any surviving entity resulting from a Change in Control and upon any other person who is a successor by merger, acquisition, consolidation or otherwise to the business formerly carried on by the Company without regard to whether or not such person or entity actively assumes the obligations hereunder.

(c) Waiver and Costs of Enforcement. Any party's failure to enforce any provision or provisions of this Plan shall not in any way be construed as a waiver of any such provision or provisions, nor prevent any party from thereafter enforcing each and every other provision of this Plan. The rights granted to the parties herein are cumulative and shall not constitute a waiver of any party's right to assert all other legal remedies available to it under the circumstances. All out-of-pocket costs and expenses reasonably incurred by a Participant (including attorneys' fees) in connection with enforcing the Participant's rights under the Plan (including the costs and expenses of complying with the provisions of Section 11) shall be paid by the Company if such rights relate to a Covered Termination that occurs any time after the date that is one (1) month prior to the effective date of the first Change in Control that occurs after the Participant commences participation in the Plan. Notwithstanding the foregoing, if the Participant initiates any claim or action and the claim or action is totally without merit or frivolous, the Participant shall be responsible for the Participant's own costs and expenses.

(d) Severability. Should any provision of this Plan be declared or determined to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired.

(e) Section Headings. Section headings in this Plan are included for convenience of reference only and shall not be considered part of this Plan for any other purpose.

SECTION 16. Execution.

To record the adoption of the Plan as set forth herein, Exelixis, Inc. has caused its duly authorized officer to execute the same as of the Effective Date.

Exelixis, Inc.

By: _____

Title: _____

Exhibit A

EXELIXIS, INC.

CHANGE IN CONTROL AND SEVERANCE BENEFIT PLAN

PARTICIPATION NOTICE

To:_____

Date:_____

Exelixis, Inc. has adopted the Exelixis, Inc. Change in Control and Severance Benefit Plan (the "***Plan***") and is providing you with this Participation Notice to inform you that you have been designated as a Participant in the Plan. A copy of the Plan document is attached to this Participation Notice. The terms and conditions of your participation in the Plan are as set forth in the Plan and this Participation Notice, which together also constitute a summary plan description of the Plan.

For the purposes of the Plan you [_] are an Executive Participant [_] are not an Executive Participant.

Except as provided in the Plan, the Plan supersedes any and all severance or change in control benefits payable to you as set forth in any agreement, including offer letters, with the Company (as defined in the Plan) entered into prior to the date hereof.

Notwithstanding the terms of the Plan:

[_____

_____]

Please return to Exelixis, Inc.'s Corporate Secretary a copy of this Participation Notice signed by you and retain a copy of this Participation Notice, along with the Plan document, for your records.

Exelixis, Inc.

By:_____

Its:_____

ACKNOWLEDGEMENT

The undersigned Participant hereby acknowledges receipt of the foregoing Participation Notice. In the event the undersigned holds outstanding stock options or other stock awards as of the date of this Participation Notice, the undersigned hereby:*

[__] accepts all of the benefits of Section 4(b) of the Plan regardless of any potential adverse effects on any outstanding option or other stock award

[__] accepts the benefits of Section 4(b) of the Plan that have no adverse effect on outstanding options or other stock awards and rejects the benefits of Section 4(b) of the Plan as to those outstanding options and other stock awards that would have potential adverse effects

[__] other (please describe): _____
_____
_____
_____
_____

The undersigned acknowledges that the undersigned has been advised to obtain tax and financial advice regarding the consequences of this election including the effect, if any, on the status of the stock options for tax purposes under Section 422 of the Internal Revenue Code.

_____

_____
Print name

*Please check one box; failure to check a box will be deemed the selection of the second alternative (*i.e.*, accepting the benefits of Section 4(b) of the Plan that have no adverse effect on outstanding options or other stock awards and rejecting the benefits of Section 4(b) of the Plan as to those outstanding options and other stock awards that would have potential adverse effects).

Exhibit B

RELEASE AGREEMENT

I have reviewed, I understand and I agree completely to the terms set forth in the Exelixis, Inc. Change in Control and Severance Benefit Plan (the "*Plan*").

I understand that this Release, together with the Plan, constitutes the complete, final and exclusive embodiment of the entire agreement between the Company, affiliates of the Company and me with regard to the subject matter hereof. I am not relying on any promise or representation by the Company or an affiliate of the Company that is not expressly stated therein. Certain capitalized terms used in this Release are defined in the Plan.

I hereby acknowledge and reaffirm my continuing obligations under the Company's and its affiliates' Employee Proprietary Information and Inventions Agreement.

Except as otherwise set forth in this Release, I hereby generally and completely release the Company and its affiliates, and their parents, subsidiaries, successors, predecessors and affiliates, and its and their current and former partners, members, directors, officers, employees, stockholders, shareholders, agents, attorneys, predecessors, insurers, affiliates and assigns (collectively, the "***Released Parties***"), from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring at any time prior to or on the date I sign this Release (collectively, the "***Released Claims***"). The Released Claims include but are not limited to: (a) all claims arising out of or in any way related to my employment with the Company and its affiliates, or their affiliates, or the termination of that employment; (b) all claims related to compensation or benefits from the Company and its affiliates, or their affiliates, including salary, bonuses, commissions, vacation, paid time off, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership, equity or profits interests in the Company and its affiliates, or their affiliates; (c) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (d) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (e) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964, the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act of 1967 (the "***ADEA***"), the federal Employee Retirement Income Security Act of 1974, the California Labor Code, and the California Fair Employment and Housing Act.

I acknowledge that I am knowingly and voluntarily waiving and releasing any rights I may have under the ADEA, and that the consideration given under the Plan for the waiver and release in this Release is in addition to anything of value to which I am already entitled. I further acknowledge that I have been advised, as required by the ADEA, that: (a) my waiver and release do not apply to any rights or claims that may arise after the date that I sign this Release; (b) I should consult with an attorney prior to signing this Release (although I may

choose voluntarily not to do so); (c) I have twenty-one (21) days to consider this Release (although I may choose voluntarily to sign this Release earlier); (d) I have seven (7) days following the date I sign this Release to revoke it by providing written notice of my revocation to an officer of the Company; and (e) this Release shall not be effective until the date upon which the revocation period has expired, which shall be the eighth (8^{th}) day after the date that I sign this Release provided that I do not revoke it.

In giving the releases set forth in this Release, which include claims which may be unknown to me at present, I acknowledge that I have read and understand Section 1542 of the California Civil Code which reads as follows: **"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."** I hereby expressly waive and relinquish all rights and benefits under that section and any law or legal principle of similar effect in any jurisdiction with respect to my release of any claims hereunder, including but not limited to the release of unknown and unsuspected claims.

Notwithstanding the foregoing, I understand that the following are not included in the Released Claims (the "***Excluded Claims***"): (a) any rights or claims for indemnification I may have pursuant to any written indemnification agreement with the Company or its affiliate to which I am a party or under applicable law; (b) any rights which cannot be waived as a matter of law; (c) any rights I have to file or pursue a claim for workers' compensation or unemployment insurance; and (d) any claims for breach of the Plan arising after the date that I sign this Release. **In addition, nothing in this Release shall prevent me from filing, cooperating with or participating in any proceeding before any federal, state or other government agency, except that I acknowledge and agree and hereby waive my right to any monetary benefits in connection with any such claim, charge or proceeding before the Equal Employment Opportunity Commission, the Department of Labor, or any analogous federal, state or other government agency with regard to any claim released herein.** I hereby represent that, other than the Excluded Claims, I am not aware of any claims I have or might have against any of the Released Parties that are not included in the Released Claims.

I hereby represent that I have been paid all compensation owed and for all time worked; I have received all the leave and leave benefits and protections for which I am eligible pursuant to the federal Family and Medical Leave Act, the California Family Rights Act, any applicable law or policy of the Company and its affiliates; and I have not suffered any on-the-job injury or illness for which I have not already filed a workers' compensation claim.

I acknowledge that to become effective, I must sign and return this Release to the Company so that it is received not later than twenty-one (21) days following the date it is provided to me (which date must be no later than 15 days following the termination of my employment with the Company or any of its affiliates), and I must not subsequently revoke the Release.

Participant:

_____
(*Signature*)

Printed Name:_____

Date:_____

Exhibit C

RELEASE AGREEMENT

I have reviewed, I understand and I agree completely to the terms set forth in the Exelixis, Inc. Change in Control and Severance Benefit Plan (the "*Plan*").

I understand that this Release, together with the Plan, constitutes the complete, final and exclusive embodiment of the entire agreement between the Company, affiliates of the Company and me with regard to the subject matter hereof. I am not relying on any promise or representation by the Company or an affiliate of the Company that is not expressly stated therein. Certain capitalized terms used in this Release are defined in the Plan.

I hereby acknowledge and reaffirm my continuing obligations under the Company's and its affiliates' Employee Proprietary Information and Inventions Agreement.

Except as otherwise set forth in this Release, I hereby generally and completely release the Company and its affiliates, and their parents, subsidiaries, successors, predecessors and affiliates, and their current and former partners, members, directors, officers, employees, stockholders, shareholders, agents, attorneys, predecessors, insurers, affiliates and assigns (collectively, the "***Released Parties***"), from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring at any time prior to or on the date I sign this Release (collectively, the "***Released Claims***"). The Released Claims include but are not limited to: (a) all claims arising out of or in any way related to my employment with the Company and its affiliates, or their affiliates, or the termination of that employment; (b) all claims related to compensation or benefits from the Company and its affiliates, or their affiliates, including salary, bonuses, commissions, vacation, paid time off, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership, equity or profits interests in the Company and its affiliates, or their affiliates; (c) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (d) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (e) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964, the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act of 1967 (the "***ADEA***"), the federal Employee Retirement Income Security Act of 1974, the California Labor Code, and the California Fair Employment and Housing Act.

I acknowledge that I am knowingly and voluntarily waiving and releasing any rights I may have under the ADEA, and that the consideration given under the Plan for the waiver and release in this Release is in addition to anything of value to which I am already entitled. I further acknowledge that I have been advised, as required by the ADEA, that: (a) my waiver and release do not apply to any rights or claims that may arise after the date that I sign this Release; (b) I should consult with an attorney prior to signing this Release (although I may

choose voluntarily not to do so); (c) I have forty-five (45) days to consider this Release (although I may choose voluntarily to sign this Release earlier); (d) I have seven (7) days following the date I sign this Release to revoke it by providing written notice of my revocation to an officer of the Company; and (e) this Release shall not be effective until the date upon which the revocation period has expired, which shall be the eighth (8^{th}) day after the date that I sign this Release provided that I do not revoke it. **I hereby further acknowledge that the Company has provided me with ADEA disclosure information (under 29 U.S.C. § 626(f)(1)(H)).**

In giving the releases set forth in this Release, which include claims which may be unknown to me at present, I acknowledge that I have read and understand Section 1542 of the California Civil Code which reads as follows: **"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."** I hereby expressly waive and relinquish all rights and benefits under that section and any law or legal principle of similar effect in any jurisdiction with respect to my release of any claims hereunder, including but not limited to the release of unknown and unsuspected claims.

Notwithstanding the foregoing, I understand that the following are not included in the Released Claims (the "***Excluded Claims***"): (a) any rights or claims for indemnification I may have pursuant to any written indemnification agreement with the Company or its affiliate to which I am a party or under applicable law; (b) any rights which cannot be waived as a matter of law; (c) any rights I have to file or pursue a claim for workers' compensation or unemployment insurance; and (d) any claims for breach of the Plan arising after the date that I sign this Release. **In addition, nothing in this Release shall prevent me from filing, cooperating with or participating in any proceeding before any federal, state or other government agency, except that I acknowledge and agree and hereby waive my right to any monetary benefits in connection with any such claim, charge or proceeding before the Equal Employment Opportunity Commission, the Department of Labor, or any analogous federal, state or other government agency with regard to any claim released herein.** I hereby represent that, other than the Excluded Claims, I am not aware of any claims I have or might have against any of the Released Parties that are not included in the Released Claims.

I hereby represent that I have been paid all compensation owed and for all time worked; I have received all the leave and leave benefits and protections for which I am eligible pursuant to the federal Family and Medical Leave Act, the California Family Rights Act, any applicable law or policy of the Company and its affiliates; and I have not suffered any on-the-job injury or illness for which I have not already filed a workers' compensation claim.

I acknowledge that to become effective, I must sign and return this Release to the Company so that it is received not later than forty-five (45) days following the date it is provided to me (which date must be no later than 15 days following the termination of my employment with the Company or any of its affiliates), and I must not subsequently revoke the Release.

Participant:

_____
(*Signature*)

Printed Name:_____

Date:_____

Exhibit D

RELEASE AGREEMENT

I have reviewed, I understand and I agree completely to the terms set forth in the Exelixis, Inc. Change in Control and Severance Benefit Plan (the "*Plan*").

I understand that this Release, together with the Plan, constitutes the complete, final and exclusive embodiment of the entire agreement between the Company, affiliates of the Company and me with regard to the subject matter hereof. I am not relying on any promise or representation by the Company or an affiliate of the Company that is not expressly stated therein. Certain capitalized terms used in this Release are defined in the Plan.

I hereby acknowledge and reaffirm my continuing obligations under the Company's and its affiliates' Employee Proprietary Information and Inventions Agreement.

Except as otherwise set forth in this Release, I hereby generally and completely release the Company and its affiliates, and their parents, subsidiaries, successors, predecessors and affiliates, and their current and former partners, members, directors, officers, employees, stockholders, shareholders, agents, attorneys, predecessors, insurers, affiliates and assigns (collectively, the "***Released Parties***"), from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring at any time prior to or on the date I sign this Release (collectively, the "***Released Claims***"). The Released Claims include but are not limited to: (a) all claims arising out of or in any way related to my employment with the Company and its affiliates, or their affiliates, or the termination of that employment; (b) all claims related to compensation or benefits from the Company and its affiliates, or their affiliates, including salary, bonuses, commissions, vacation, paid time off, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership, equity or profits interests in the Company and its affiliates, or their affiliates; (c) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (d) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (e) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964, the federal Americans with Disabilities Act of 1990, the federal Employee Retirement Income Security Act of 1974, the California Labor Code, and the California Fair Employment and Housing Act.

In giving the releases set forth in this Release, which include claims which may be unknown to me at present, I acknowledge that I have read and understand Section 1542 of the California Civil Code which reads as follows: **"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."** I hereby expressly waive and relinquish all rights and benefits

under that section and any law or legal principle of similar effect in any jurisdiction with respect to my release of any claims hereunder, including but not limited to the release of unknown and unsuspected claims.

Notwithstanding the foregoing, I understand that the following are not included in the Released Claims (the "***Excluded Claims***"): (a) any rights or claims for indemnification I may have pursuant to any written indemnification agreement with the Company or its affiliate to which I am a party or under applicable law; (b) any rights which cannot be waived as a matter of law; (c) any rights I have to file or pursue a claim for workers' compensation or unemployment insurance; and (d) any claims for breach of the Plan arising after the date that I sign this Release. **In addition, nothing in this Release shall prevent me from filing, cooperating with or participating in any proceeding before any federal, state or other government agency, except that I acknowledge and agree and hereby waive my right to any monetary benefits in connection with any such claim, charge or proceeding before the Equal Employment Opportunity Commission, the Department of Labor, or any analogous federal, state or other government agency with regard to any claim released herein.** I hereby represent that, other than the Excluded Claims, I am not aware of any claims I have or might have against any of the Released Parties that are not included in the Released Claims.

I hereby represent that I have been paid all compensation owed and for all time worked; I have received all the leave and leave benefits and protections for which I am eligible pursuant to the federal Family and Medical Leave Act, the California Family Rights Act, any applicable law or policy of the Company and its affiliates; and I have not suffered any on-the-job injury or illness for which I have not already filed a workers' compensation claim.

I acknowledge that to become effective, I must sign and return this Release to the Company so that it is received not later than fourteen (14) days following the date it is provided to me (which date must be no later than 15 days following the termination of my employment with the Company or any of its affiliates).

Participant:

_____
(*Signature*)

Printed Name:_____

Date:_____

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO
EXCHANGE ACT RULES 13a-14(a) and 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael M. Morrissey, Ph.D., certify that:

1. I have reviewed this Form 10-Q of Exelixis, Inc.;

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

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

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

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

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

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

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

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

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

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

/s/ Michael M. Morrissey, Ph.D.
Michael M. Morrissey, Ph.D.
President and Chief Executive Officer
(Principal Executive Officer)

Date: August 1, 2023

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
EXCHANGE ACT RULES 13a-14(a) and 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Christopher J. Senner, certify that:

1. I have reviewed this Form 10-Q of Exelixis, Inc.;

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

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

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

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

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

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

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

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

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

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

/s/ Christopher J. Senner
Christopher J. Senner
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: August 1, 2023

Exhibit 32.1

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Michael M. Morrissey, Ph.D., the President and Chief Executive Officer of Exelixis, Inc. (the "Company"), and Christopher J. Senner, the Executive Vice President and Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period ended June 30, 2023, to which this Certification is attached as Exhibit 32.1 (the "Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

In Witness Whereof, the undersigned have set their hands hereto as of the 1st day of August 2023.

/s/ Michael M. Morrissey, Ph.D.
Michael M. Morrissey, Ph.D.
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Christopher J. Senner
Christopher J. Senner
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)