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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2026

OR

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

For the transition period from to

Commission File Number: 000-30319

INNOVIVA, INC.

(Exact Name of Registrant as Specified in its Charter)

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

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

(650) 238-9600
(Registrant's Telephone Number, Including Area Code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	INVA	The Nasdaq Stock Market LLC

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

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

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

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

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

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

The number of shares of registrant's common stock outstanding on October 31, 2026 was 71,081,477.

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited) 3

- Condensed Consolidated Balance Sheets as of September 30, 2026 and December 31, 2025 3
- Condensed Consolidated Statements of Income and Comprehensive Income for the Three and Nine Months Ended September 30, 2026 and 2025 4
- Condensed Consolidated Statements of Stockholders' Equity for the Three and Nine Months Ended September 30, 2026 and 2025 5
- Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2026 and 2025 7
- Notes to Condensed Consolidated Financial Statements 9

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 34

Item 3. Quantitative and Qualitative Disclosures About Market Risk 43

Item 4. Controls and Procedures 43

PART II. OTHER INFORMATION

Item 1. Legal Proceedings 44

Item 1A. Risk Factors 44

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds 44

Item 3. Defaults Upon Senior Securities 45

Item 4. Mine Safety Disclosure 45

Item 5. Other Information 45

Item 6. Exhibits 46

Signatures 47

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2026 (Unaudited)	December 31, 2025 *
Assets		
Current assets:		
Cash and cash equivalents	$ 581,394	$ 550,941
Accounts receivable	44,017	34,966
Receivable from collaboration arrangement	58,113	58,351
Inventory	42,838	39,172
Prepaid expenses	33,984	26,721
Current portion of ISP Fund investments (Note 5)	8,667	15,727
Other current assets	3,241	1,637
Total current assets	772,254	727,515
Property and equipment, net	2,038	1,555
Equity method investments	121,957	193,726
Equity and long-term investments	404,834	404,497
Capitalized fees paid, net	45,770	56,138
Right-of-use assets	10,100	10,929
Goodwill	17,905	17,905
Intangible assets, net	162,276	182,156
Other assets	792	40,744
Total assets	$ 1,537,926	$ 1,635,165
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 6,498	$ 4,966
Accrued personnel-related expenses	9,498	9,100
Accrued interest payable	231	1,618
Deferred revenue	5,004	4,270
Income tax payable	—	274
Other accrued liabilities	28,799	29,468
Total current liabilities	50,030	49,696
Long-term debt, net of discount and issuance costs	258,822	257,731
Other long-term liabilities	65,236	66,091
Deferred tax liabilities, net	6,914	31,793
Income tax payable, long-term	19,406	57,013
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock: $0.01 par value, 230 shares authorized, no shares issued and outstanding	—	—
Common stock: $0.01 par value, 200,000 shares authorized, 71,536 and 74,636 issued and outstanding as of September 30, 2026 and December 31, 2025, respectively	716	747
Additional paid-in capital	838,147	902,726
Retained earnings	298,655	269,368
Total stockholders' equity	1,137,518	1,172,841
Total liabilities and stockholders' equity	$ 1,537,926	$ 1,635,165

* Condensed consolidated balance sheet has been derived from audited consolidated financial statements as of December 31, 2025.

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Revenue:				
Royalty revenue, net of amortization of capitalized fees paid of $3,456 in the three months ended September 30, 2026 and 2025, and $10,368 in the nine months ended September 30, 2026 and 2025	$ 54,657	$ 59,896	$ 166,158	$ 181,583
Net product sales	49,444	47,294	142,586	113,066
License and other revenue	2,019	610	14,961	2,066
Total revenue	106,120	107,800	323,705	296,715
Cost of products sold (inclusive of amortization of inventory fair value adjustments, excluding amortization of intangible assets)	15,038	25,643	52,994	45,075
Amortization of acquired intangible assets	6,700	6,618	19,880	19,640
Gross profit	84,382	75,539	250,831	232,000
Operating expenses:				
Selling, general and administrative	37,015	27,291	104,024	81,194
Research and development	5,214	13,670	15,645	26,049
Total operating expenses	42,229	40,961	119,669	107,243
Income from operations	42,153	34,578	131,162	124,757
Changes in fair values of equity method investments, net	(97,585)	30,751	(71,769)	30,284
Changes in fair values of equity and long-term investments, net	(41,904)	31,510	(37,482)	(22,509)
Interest and dividend income	5,316	5,472	23,902	14,935
Interest expense	(5,472)	(4,015)	(16,381)	(13,389)
Other expense, net	(118)	(479)	(499)	(2,252)
Income (loss) before income taxes	(97,610)	97,817	28,933	131,826
Income tax benefit (expense), net	23,722	(7,909)	354	(24,814)
Net income (loss) and comprehensive income (loss)	$ (73,888)	$ 89,908	$ 29,287	$ 107,012
Net income (loss) per share:				
Basic	$ (1.03)	$ 1.30	$ 0.40	$ 1.65
Diluted	$ (1.03)	$ 1.08	$ 0.40	$ 1.35
Shares used to compute net income (loss) per share:				
Basic	72,068	69,058	73,209	64,901
Diluted	72,068	84,964	73,969	84,576

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30, 2026				
	Common Stock		Additional Paid-In Capital	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
Balance as of January 1, 2026	74,636	$ 747	$ 902,726	$ 269,368	$ 1,172,841
Exercise of stock options and issuance of common stock units and stock awards, net of repurchase of shares to satisfy tax withholding	143	1	100	—	101
Repurchase of common stock, including accrued excise tax	(971)	(10)	(20,439)	—	(20,449)
Stock-based compensation	—	—	2,567	—	2,567
Net income	—	—	—	186,595	186,595
Balance as of March 31, 2026	73,808	738	884,954	455,963	1,341,655
Exercise of stock options and issuance of common stock units and stock awards, net of repurchase of shares to satisfy tax withholding	232	2	1,660	—	1,662
Repurchase of common stock, including accrued excise tax	(1,403)	(13)	(31,365)	—	(31,378)
Stock-based compensation	—	—	4,743	—	4,743
Net loss	—	—	—	(83,420)	(83,420)
Balance as of June 30, 2026	72,637	727	859,992	372,543	1,233,262
Exercise of stock options and issuance of common stock units and stock awards, net of repurchase of shares to satisfy tax withholding	126	1	808	—	809
Stock-based compensation	—	—	3,667	—	3,667
Repurchase of common stock, including accrued excise tax	(1,227)	(12)	(26,320)	—	(26,332)
Net loss	—	—	—	(73,888)	(73,888)
Balance as of September 30, 2026	71,536	$ 716	$ 838,147	$ 298,655	$ 1,137,518

	Nine Months Ended September 30, 2025				
	Common Stock		Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity
	Shares	Amount			
Balance as of January 1, 2025	62,665	$ 627	$ 692,329	$ (1,797)	$ 691,159
Exercise of stock options and issuance of common stock units and stock awards, net of repurchase of shares to satisfy tax withholding	106	1	182	—	183
Stock-based compensation	—	—	2,147	—	2,147
Net loss	—	—	—	(46,584)	(46,584)
Balance as of March 31, 2025	62,771	628	694,658	(48,381)	646,905
Exercise of stock options and issuance of common stock units and stock awards, net of repurchase of shares to satisfy tax withholding	211	2	1,245	—	1,247
Accrued excise tax on common stock repurchase applied against tax liability	—	—	59	—	59
Stock-based compensation	—	—	2,422	—	2,422
Conversion of 2025 Notes to common stock	29	—	500	—	500
Net income	—	—	—	63,688	63,688
Balance as of June 30, 2025	63,011	630	698,884	15,307	714,821
Exercise of stock options and issuance of common stock units and stock awards, net of repurchase of shares to satisfy tax withholding	47	1	168	—	169
Stock-based compensation	—	—	2,380	—	2,380
Conversion of 2025 Notes to common stock	11,120	111	191,864	—	191,975
Exercise of warrants	591	6	10,692	—	10,698
Net income	—	—	—	89,908	89,908
Balance as of September 30, 2025	74,769	$ 748	$ 903,988	$ 105,215	$ 1,009,951

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2026	2025
Cash flows from operating activities		
Net income	$ 29,287	$ 107,012
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	(24,879)	4,072
Amortization of capitalized fees and depreciation of property and equipment	10,545	10,464
Amortization of acquired intangible assets	19,880	19,640
Inventory fair value step-up adjustment included in cost of products sold	2,199	4,109
Stock-based compensation	10,977	6,949
Amortization of debt discount and issuance costs	1,091	1,533
Changes in fair values of equity method investments, net	71,769	(30,284)
Changes in fair values of equity and long-term investments, net	37,482	22,509
Acquired in-process research and development assets	—	9,368
Other non-cash items	1,889	402
Changes in operating assets and liabilities:		
Accounts receivable	(9,051)	(9,775)
Receivable from collaboration arrangement	238	2,622
Inventory	(6,934)	(10,299)
Prepaid expenses	(7,263)	1,648
Other assets	30,143	1,001
Accounts payable	1,532	4,111
Accrued personnel-related expenses and other accrued liabilities	(1,419)	(14,568)
Accrued interest payable	(1,387)	(3,191)
Income tax payable	(37,881)	2,649
Deferred revenue	734	12,445
Net cash provided by operating activities	128,952	142,417
Cash flows from investing activities		
Purchases of trading securities	(34,999)	(49,674)
Proceeds from trading securities	—	5,097
Purchases of equity and other long-term investments	(35,451)	—
Purchases of equity investments managed by ISP Fund LP	(3,275)	—
Sales of equity investments managed by ISP Fund LP	44,110	19,939
Purchases and sales of other investments managed by ISP Fund LP, net	6,665	51,987
Cash paid for in-process research and development assets acquired	—	(9,368)
Purchases of property and equipment	(945)	(1,121)
Sale of property and equipment	210	—
Net cash provided by (used in) investing activities	(23,685)	16,860
Cash flows from financing activities		
Repurchase of common stock	(77,386)	—
Repurchase of shares to satisfy tax withholding	(312)	(116)
Proceeds from issuances of common stock, net	2,884	1,715
Proceeds from exercise of warrants	—	10,698
Payment for repurchase of convertible senior notes due 2025	—	(25)
Net cash provided by (used in) financing activities	(74,814)	12,272
Net increase in cash and cash equivalents	30,453	171,549
Cash and cash equivalents at beginning of period	550,941	304,964
Cash and cash equivalents at end of period	$ 581,394	$ 476,513

	Nine Months Ended September 30,	
	2026	2025
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 5,546	$ 10,353
Cash paid for income taxes	$ 27,056	$ 13,071
Supplemental Disclosure of Non-cash Investing and Financing Activities:		
2025 Notes converted to common stock	$ —	$ 192,475
Accrued interest income converted to long-term investments	$ 8,205	$ —

See accompanying notes to condensed consolidated financial statements.

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

1. Description of Operations and Summary of Significant Accounting Policies

Description of Operations

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

Our wholly owned, critical care and infectious disease operating platform, with a hospital focus, is anchored by a portfolio of four commercial and marketed products, as well as an FDA-approved product which is expected to be available to patients before the end of 2026:

- GIAPREZA® (angiotensin II) for increasing blood pressure in adults with septic or other distributive shock;
- XACDURO® (sulbactam for injection; durlobactam for injection), co-packaged for intravenous use for the treatment of hospital-acquired and ventilator-associated bacterial pneumonia caused by *Acinetobacter;*
- XERAVA® (eravacycline) for the treatment of complicated intra-abdominal infections in adults;
- ZEVTERA® (ceftobiprole), an advanced-generation cephalosporin antibiotic for the treatment of *staphylococcus aureus bacteremia*, including those with right-sided endocarditis, acute bacterial skin and skin structure infections, and community-acquired bacterial pneumonia, licensed from Basilea Pharmaceutica Ltd, Allschwil (SIX: BSLN) ("Basilea") for U.S. commercialization and which commercially launched in the third quarter of 2025; and
- NUZOLVENCE® (formerly known as zoliflodacin), approved by the FDA on December 12, 2025, for the treatment of uncomplicated urogenital gonorrhea in adults and adolescents.

In addition, we own other strategic healthcare assets, such as a significant equity stake in Armata Pharmaceuticals, Inc., a leader in development of bacteriophages with potential use across a range of infectious and other serious diseases. We also have economic interests in several other healthcare companies through our portfolio approach.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information. Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. The unaudited condensed consolidated financial statements have been prepared on the same basis as audited consolidated financial statements and, in our opinion, include all adjustments, consisting of all normal recurring adjustments, necessary for the fair presentation of our financial position, results of operations, comprehensive income and cash flows. The interim results are not necessarily indicative of the results of operations to be expected for the year ending December 31, 2026, or any other periods.

The accompanying unaudited condensed consolidated financial statements include the accounts of Innoviva, our wholly-owned subsidiaries, and certain variable interest entities ("VIEs") for which we are the primary beneficiary. All intercompany balances and transactions have been eliminated in consolidation. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2025, filed with the Securities and Exchange Commission ("SEC") on February 25, 2026, and as amended on March 27, 2026. There have been no material changes to our summary of significant accounting policies as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2025.

Use of Management's Estimates

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

Concentrations of Credit Risk and of Significant Suppliers and Partner

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

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

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

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

Three of our customers accounted for 30%, 26% and 25%, respectively, of our net product sales for the three months ended September 30, 2026, and 27%, 24% and 23%, respectively, for the nine months ended September 30, 2026. Three of our customers accounted for 21%, 20% and 19%, respectively, of our net product sales for the three months ended September 30, 2025, and 24%, 24% and 22%, respectively, for the nine months ended September 30, 2025. Three of our customers accounted for 39%, 20% and 15%, respectively, of our receivables from net product sales, which are included in "Accounts receivable" in our unaudited condensed consolidated balance sheet as of September 30, 2026. Three of our customers accounted for 29%, 28% and 16%, respectively, of our receivables from net product sales, which are included in "Accounts receivable" in our consolidated balance sheet as of December 31, 2025.

We did not have an allowance for expected credit losses on our receivable from collaboration arrangement and accounts receivable as of September 30, 2026 and December 31, 2025.

Refer to Item 1A. "Risk Factors" disclosed in our Annual Report on Form 10-K for the year ended December 31, 2025.

Segment Reporting

Operating segments are identified as components of an enterprise about which separate discrete financial information is made available for evaluation by the chief operating decision maker ("CODM") in making decisions regarding resource allocation and assessing performance. Refer to Note 15, "Segment Reporting", for more information.

Variable Interest Entities

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

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

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

Goodwill and Intangible Assets

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

Asset Acquisitions

We measure and recognize asset acquisitions that are not deemed to be business combinations based on the cost to acquire the assets, which includes transaction costs. Goodwill is not recognized in asset acquisitions. In an asset acquisition, the cost of the acquisition is allocated to the assets acquired on the basis of their relative fair values. The cost allocated to acquire in-process research and development ("IPR&D") with no alternative future use is charged to research and development expense at the acquisition date.

Equity and Long-Term Investments

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

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

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

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

Revenue Recognition

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

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

Royalty Revenue

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

Revenue from Product Sales

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

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

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

We may also enter into contracts that involve a series of manufacturing processes for products and related components. For any distinct performance obligation where the manufacturing process does not create an asset with alternative use and there is an enforceable right to payment for the performance completed to date, the related revenue is recognized over time. For performance obligations satisfied over time, we use an input method to measure progress. Specifically, we apply the cost-to-cost method, under which progress is calculated as the ratio of costs incurred to date relative to the total estimated costs of the contract. This method most accurately depicts the transfer of value to the customer because costs incurred are determined to be proportionate to our performance in satisfying the obligation. Estimated total contract costs are reassessed periodically. Changes in estimates are accounted for prospectively as changes in estimates.

License Revenue

At the inception of a licensing arrangement that includes development and regulatory milestone payments, we evaluate whether the milestones are considered probable of being achieved and estimate the amount to be included in the transaction price. We generally include these milestone payments in the transaction price when they are achieved because there is considerable uncertainty in the research and development processes that trigger receipt of these payments under our agreements. Similarly, we include approval milestone payments in the transaction price once the product is approved by the applicable regulatory agency. For delivery of other goods or services related to a licensing arrangement, we determine whether the performance obligation is satisfied over time or at a point in time. If the performance obligation is satisfied over time, we use judgment in determining the appropriate method of measuring progress for purposes of recognizing revenue. We evaluate the measure of progress each reporting period and, if necessary, adjust the measure of performance and the related revenue recognition.

Grant Revenue

We recognize grant revenue from non-governmental entities in accordance with ASC 958-605, *Revenue Recognition Not-for-Profit Entities*, when qualifying costs are incurred and the conditions of the grant agreement have been met. If grant funds are received after costs have been incurred, we record the amount as grant revenue and a corresponding grant receivable. Cash received from grants in advance of incurring qualifying costs is recorded as deferred revenue and recognized as grant revenue when qualifying costs are incurred. Grant revenue is included in "License and other revenue" in our condensed consolidated statements of income and comprehensive income.

Research and Development Expenses

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

Recently Adopted Accounting Pronouncements

In November 2024, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2024-04, *Debt — Debt with Conversion and Other Options (Subtopic 470-20)*, which clarifies the assessment of whether a transaction should be accounted for as an induced conversion or extinguishment of convertible debt when changes are made to conversion features as part of an offer to settle the instrument. ASU 2024-04 is effective for annual reporting periods beginning after December 15, 2025 and interim reporting periods within those annual reporting periods. Effective January 1, 2026, we adopted ASU 2024-04 on a prospective basis. The adoption of this standard did not have a material impact on our consolidated financial statements and related disclosures.

In July 2025, the FASB issued ASU 2025-05, *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses for Current Accounts Receivable and Contract Assets*, which provides a practical expedient for estimating expected credit losses by assuming current conditions remain unchanged over the life of the asset. The amendments in ASU 2025-05 are effective for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods. Effective January 1, 2026, we adopted ASU 2025-05. The adoption of this standard did not have a material impact on our consolidated financial statements and related disclosures.

Recently Issued Accounting Pronouncement Not Yet Adopted

In November 2024, the FASB issued ASU 2024-03, *Income Statement — Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40)*, which requires disclosures about specific types of expenses included in the expense captions presented on the face of the statement of income as well as disclosures about selling expenses. ASU 2024-03 is effective for the Company in annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. We are currently evaluating the potential impact that ASU 2024-03 may have on our consolidated financial statements and related disclosures.

2. Net Income (Loss) Per Share

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted-average number of shares of common stock outstanding. Diluted net income per share is computed by dividing net income by the weighted-average number of shares of common stock and dilutive potential common stock equivalents then outstanding. Dilutive potential common stock equivalents include the assumed exercise, vesting and issuance of employee stock awards using the treasury stock method, as well as common stock issuable upon assumed conversion of our convertible senior notes due 2025 (the "2025 Notes") up until its maturity date on August 15, 2025, and our convertible senior notes due 2028 (the "2028 Notes") using the if-converted method. If the results are in a net loss position, diluted net loss per share is computed by dividing the net loss by the weighted-average number of shares of common stock outstanding for the period, without consideration for potential dilutive common stock equivalents.

The following table shows the computation of basic and diluted net income (loss) per share for the three and nine months ended September 30, 2026 and 2025:

(In thousands except per share data)	Three Months Ended September 30, 2026	Three Months Ended September 30, 2025	Nine Months Ended September 30, 2026	Nine Months Ended September 30, 2025
Numerator:				
Net income (loss), basic	$ (73,888)	$ 89,908	$ 29,287	$ 107,012
Add: interest expense on 2025 Notes, net of tax effect	—	566	—	2,820
Add: interest expense on 2028 Notes, net of tax effect	—	1,416	—	4,238
Net income (loss), diluted	$ (73,888)	$ 91,890	$ 29,287	$ 114,070
Denominator:				
Weighted-average shares used to compute basic net income (loss) per share	72,068	69,058	73,209	64,901
Dilutive effect of 2025 Notes	—	5,467	—	9,235
Dilutive effect of 2028 Notes	—	9,955	—	9,955
Dilutive effect of options and awards granted under equity incentive plan and employee stock purchase plan	—	462	760	464
Dilutive effect of outstanding warrant	—	22	—	21
Weighted-average shares used to compute diluted net income (loss) per share	72,068	84,964	73,969	84,576
Net income (loss) per share				
Basic	$ (1.03)	$ 1.30	$ 0.40	$ 1.65
Diluted	$ (1.03)	$ 1.08	$ 0.40	$ 1.35

Anti-Dilutive Securities

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

(In thousands)	Three Months Ended September 30, 2026	Three Months Ended September 30, 2025	Nine Months Ended September 30, 2026	Nine Months Ended September 30, 2025
Outstanding options and awards granted under equity incentive plan and employee stock purchase plan	2,265	1,520	1,599	1,482
Outstanding 2028 Notes	9,955	—	9,955	—
Total	12,220	1,520	11,554	1,482

3. Revenue Recognition

Net Revenue from Collaboration Arrangement

Net revenue recognized under our GSK Agreement was as follows:

(In thousands)	Three Months Ended September 30, 2026	Three Months Ended September 30, 2025	Nine Months Ended September 30, 2026	Nine Months Ended September 30, 2025
Royalties - RELVAR®/BREO®	$ 45,798	$ 51,508	$ 140,729	$ 157,135
Royalties - ANORO®	12,315	11,844	35,797	34,816
Total royalties	58,113	63,352	176,526	191,951
Less: amortization of capitalized fees paid	(3,456)	(3,456)	(10,368)	(10,368)
Total royalty revenue	$ 54,657	$ 59,896	$ 166,158	$ 181,583

Net Product Sales

Total net product sales were as follows:

(In thousands)	Three Months Ended September 30, 2026	Three Months Ended September 30, 2025	Nine Months Ended September 30, 2026	Nine Months Ended September 30, 2025
GIAPREZA®	$ 23,232	$ 18,459	$ 65,762	$ 54,061
XACDURO®	22,003	23,813	62,459	42,327
XERAVA®	3,585	4,909	12,952	16,226
ZEVTERA®	624	113	1,413	452
Total net product sales	$ 49,444	$ 47,294	$ 142,586	$ 113,066

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

- approximately 88% and 12%, respectively, for the three months ended September 30, 2026, and 80% and 20%, respectively, for the nine months ended September 30, 2026; and
- approximately 63% and 37%, respectively, for the three months ended September 30, 2025, and 75% and 25%, respectively, for the nine months ended September 30, 2025.

License and Other Revenue

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

4. License, Collaboration and Other Arrangements

Out-License Agreements

Zai Lab

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

We are eligible to receive up to an aggregate of $91.0 million in research and development support payments and development, regulatory and sales milestone payments related to SUL-DUR, imipenem and other combinations with the licensed products. Zai Lab shall pay us a tiered royalty ranging from a high-single digit to low-double digit percentage based on annual net sales of licensed products in the territory, subject to specified reductions for the market entry of competing products, loss of patent coverage of licensed products and for payments owed to third parties for additional rights necessary to commercialize licensed products in the territory. Payments received for research support and reimbursable clinical trial costs are recorded as a reduction to research and development expense during the period in which the qualifying expenses are incurred. Such amounts recorded for the nine months ended September 30, 2026 and 2025 were not material. SUL-DUR was approved by China's National Medical Products Administration in May 2024 and was launched by Zai Lab in mainland China in January 2025. We recognized $4.0 million in license revenue for the nine months ended September 30, 2026 under this agreement as a result of the achievement of a regulatory milestone. Royalties under this arrangement based on the product sales were $1.1 million and $3.1 million for the three and nine months ended September 30, 2026, respectively, and $0.4 million and $1.5 million for the three and nine months ended September 30, 2025, respectively.

In April 2024, we entered into an amendment to the Zai Agreement (the "Amended Zai Agreement"), pursuant to which Zai Lab shall share costs associated with certain new manufacturing and technology transfer activities for XACDURO® (the "Services"), which were not contemplated under the Zai Agreement and are crucial for regulatory approval in the Asia-Pacific region. Under the Amended Zai Agreement, we recognized $0.4 million and $1.0 million in license revenue for the three and nine months ended September 30, 2025, respectively. License revenue for the three and nine months ended September 30, 2026 was not material. As of September 30, 2026 and December 31, 2025, outstanding amounts under this amendment of $2.2 million and $1.8 million, respectively, were included in "Accounts receivable" in our unaudited condensed consolidated balance sheets.

We entered into an interim supply agreement with Zai Lab in June 2024, which was amended in February 2025 and August 2025, under which Zai Lab shall purchase XACDURO® inventory (the "Supplied Inventory") at cost for its commercial use. We recognized $4.8 million and $19.7 million in net product sales for the cost of the Supplied Inventory for the three and nine months ended September 30, 2026, respectively, and $14.9 million and $17.4 million for the three and nine months ended September 30, 2025, respectively. Amounts outstanding under this agreement of $6.2 million and $6.7 million were included in "Accounts receivable" in our unaudited condensed consolidated balance sheets as of September 30, 2026 and December 31, 2025, respectively.

We also entered into a manufacturing stage transfer agreement with Zai Lab in June 2024, which was amended in September 2024 (the "Zai Manufacturing Stage Transfer Agreement"). Pursuant to this agreement, Entasis shall provide assistance to Zai Lab for building out Zai Lab's manufacturing site for XACDURO® and be compensated for Entasis' services and associated costs. License revenue recognized under this agreement for the three and nine months ended September 30, 2026 was not material. We recognized license revenue under this agreement of $0.1 million and $1.0 million for the three and nine months ended September 30, 2025, respectively.

Dr. Reddy's Laboratories

In June 2026, Entasis entered into an exclusive distribution and license agreement with Dr. Reddy's Laboratories Ltd. ("DRL") to commercialize XACDURO® in certain countries. A one-time, nonrefundable upfront payment of $3.4 million was recognized as license revenue for the nine months ended September 30, 2026. Entasis is also entitled to receive development, launch and commercial milestone payments, as well as tiered royalties based on DRL's annual net sales.

GARDP

Entasis entered into a collaboration agreement with the Global Antibiotic Research and Development Partnership ("GARDP") for the development, manufacture and commercialization of the product candidate zoliflodacin in certain countries (the "GARDP Collaboration Agreement"). Under the terms of the GARDP Collaboration Agreement, GARDP shall use commercially reasonable endeavors to perform and fully fund the Phase 3 registrational trial, including the manufacture and supply of the product candidate containing zoliflodacin, in uncomplicated gonorrhea. Reimbursements from GARDP under this agreement are recorded as a reduction to research and development expense. Reimbursements recorded from GARDP during the three and nine months ended September 30, 2026 and 2025 were not material.

In addition, under the GARDP Collaboration Agreement, GARDP was granted a worldwide, fully paid, exclusive and royalty-free license, with the right to sublicense, to use our zoliflodacin technology in connection with GARDP's development, manufacture and commercialization of zoliflodacin in low-income and specified middle-income countries. We retained commercial rights in all other countries worldwide, including the major markets in North America, Europe and Asia-Pacific. We also retained the right to use and grant licenses to our zoliflodacin technology to perform our obligations under the GARDP Collaboration Agreement and for any purpose other than gonorrhea or community-acquired indications. Each party is responsible for using commercially reasonable efforts to obtain marketing authorizations for the product candidate in its respective territory. The FDA approved zoliflodacin, marketed as NUZOLVENCE®, on December 12, 2025.

In May 2026, Entasis entered into an amendment to the GARDP Collaboration Agreement under which Entasis granted GARDP a non-exclusive license to use Entasis' technology in certain European countries and received a one-time, nonrefundable upfront payment of $2.0 million, which was recorded as license revenue for the nine months ended September 30, 2026. Furthermore, Entasis is entitled to receive future regulatory milestone payment and royalties on net sales of NUZOLVENCE®.

PAION Pharma GmbH

Pursuant to the PAION AG and PAION Deutschland GmbH (together and individually "PAION") License, La Jolla Pharmaceutical Company ("La Jolla"), our wholly-owned subsidiary, granted PAION an exclusive license to commercialize GIAPREZA® and XERAVA® in the European Economic Area, the United Kingdom and Switzerland (collectively, the "PAION Territory"). PAION is currently a subsidiary of the Humanwell Healthcare Group. We are entitled to receive potential commercial milestone payments of up to $109.5 million and double-digit tiered royalty payments. Royalties payable in a given jurisdiction under the PAION License are subject to reduction on account of generic competition and after patent expiration in that jurisdiction. Pursuant to the PAION License, PAION will be solely responsible for the future development and commercialization of GIAPREZA® and XERAVA® in the PAION Territory. PAION is required to use commercially reasonable efforts to commercialize GIAPREZA® and XERAVA® in the PAION Territory. Royalty revenue recognized under this agreement, presented as part of net product sales in the unaudited condensed consolidated statement of income, was $0.1 million and $1.5 million for the three and nine months ended September 30, 2026, respectively, and $0.7 million and $1.8 million for the three and nine months ended September 30, 2025, respectively.

La Jolla also entered into the PAION commercial supply agreement (the "PAION Supply Agreement") whereby La Jolla supplies PAION a minimum quantity of GIAPREZA® and XERAVA® until the earlier of July 13, 2027, or until a new supply agreement is executed. During the term of the supply agreement, we are reimbursed for direct and certain indirect manufacturing costs at cost. Cost reimbursements under the PAION Supply Agreement were not material and $1.8 million for the three and nine months ended September 30, 2026, and $1.3 million and $2.7 million for the three and nine months ended September 30, 2025, respectively.

Everest Medicines Limited

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

We are also entitled to receive tiered royalties from Everest at percentages in the low double digits on sales, if any, in the Everest Territory of products containing eravacycline. Royalties are payable with respect to each jurisdiction in the Everest Territory until the latest to occur of: (i) the last-to-expire of specified patent rights in such jurisdiction in the Everest Territory; (ii) expiration of marketing or regulatory exclusivity in such jurisdiction in the Everest Territory; or (iii) 10 years after the first commercial sale of a product in such jurisdiction in the Everest Territory. Royalty revenue from Everest recognized for the three months ended September 30, 2026 and 2025, presented as part of net product sales in the unaudited condensed consolidated statement of income, was not material. Royalty revenue from Everest recognized for the nine months ended September 30, 2026 and 2025 was $1.1 million and $2.0 million, respectively.

La Jolla also entered into the Everest commercial supply agreement (the "Everest Supply Agreement") whereby La Jolla will supply Everest a minimum quantity of XERAVA® and will transfer to Everest certain XERAVA®-related manufacturing know-how. Under the Everest Supply Agreement, we are reimbursed for direct and certain indirect manufacturing costs at 110% of cost. Revenue recognized under the Everest Supply Agreement for the three months ended September 30, 2026 and 2025 was not material. Revenue recognized was $1.3 million and $1.8 million for the nine months ended September 30, 2026 and 2025, respectively.

In-License Agreements

Basilea

In December 2024, we entered into an exclusive distribution and license agreement with Basilea, under which we were granted exclusive marketing rights to ZEVTERA® in the U.S. The agreement will remain in effect through the expiration of ZEVTERA®'s market exclusivity in the U.S. in 2034 (the "initial term") and is subject to automatic renewal unless terminated by either party with prior notice. We paid an upfront fee of $4.0 million, which was recognized as an intangible asset and is being amortized over the initial term of the agreement. Under the agreement, we are required to exclusively purchase ZEVTERA® (in pre-packaging and labeling form) from Basilea for the duration of the term. We are also obligated to pay Basilea tiered royalties ranging from the high-teens to mid-twenties, as well as tiered milestone payments based on annual net sales in the U.S. ZEVTERA® was commercially launched in the U.S. in July 2025. Royalty expense incurred on the sales was not material during the three and nine months ended September 30, 2026 and 2025.

George Washington University

Pursuant to the George Washington University License (the "GW License"), GW exclusively licensed to La Jolla certain intellectual property rights relating to GIAPREZA®, including the exclusive rights to certain issued patents and patent applications covering GIAPREZA®. Under the GW License, we are obligated to use commercially reasonable efforts to develop, commercialize, market and sell GIAPREZA®. We are obligated to pay a 6% royalty on net sales of GIAPREZA® and 15% on payments received from sublicensees. The obligation to pay royalties under the GW License extends through the last-to-expire patent covering GIAPREZA®. Royalty expense incurred under the GW License for the three and nine months ended September 30, 2026 was $1.4 million and $4.1 million, respectively, and $1.1 million and $3.3 million for the three and nine months ended September 30, 2025, respectively.

Harvard University

Pursuant to the Harvard University ("Harvard") License, Harvard exclusively licensed to La Jolla certain intellectual property rights relating to tetracycline-based products, including XERAVA®, including the exclusive rights to certain issued patents and patent applications covering such products. Under the Harvard License, we are obligated to use commercially reasonable efforts to develop, commercialize, market and sell tetracycline-based products, including XERAVA®. For each product covered by the Harvard License, we are obligated to make certain payments for the following: (i) up to approximately $15.1 million upon the achievement of certain clinical development and regulatory milestones; (ii) a 5% royalty on direct U.S. net sales of XERAVA®; (iii) a single-digit tiered royalty on direct ex-U.S. net sales of XERAVA®, starting at a minimum royalty rate of 4.5%, with step-ups to a maximum royalty of 7.5% based on the achievement of annual net product sales thresholds; and (iv) 20% on payments received from sublicensees. The obligation to pay royalties under this agreement extends through the last-to-expire patent covering tetracycline-based products, including XERAVA®. Royalty expense incurred under the Harvard License for the three and nine months ended September 30, 2026 was not material. Royalty expense incurred for the three and nine months ended September 30, 2025 was $0.3 million and $1.0 million, respectively.

Business Transfer and Subscription Agreement with AstraZeneca

Entasis entered into a Business Transfer and Subscription Agreement with AstraZeneca, AstraZeneca UK Limited and AstraZeneca Pharmaceuticals LP (collectively, "AstraZeneca") (the "AstraZeneca Agreement") in 2015, which was amended and restated through 2018, pursuant to which Entasis obtained, among other things, worldwide rights to durlobactam and zoliflodacin. Under the AstraZeneca Agreement, we are obligated to pay AstraZeneca a one-time milestone payment of $5.0 million within three months of achieving a specified cumulative net sales milestone for durlobactam. We are also obligated to make a one-time milestone payment of $10.0 million to AstraZeneca within two years following the first commercial sale of zoliflodacin. This milestone was achieved in October 2026, and the payment is due in October 2028. Additionally, we are obligated to pay AstraZeneca tiered, single-digit royalties on the annual worldwide net product sales of durlobactam and the lesser of tiered, single-digit royalties on the worldwide annual net sales of zoliflodacin and a specified share of the royalties we receive from sublicensees of zoliflodacin. Royalties on sales of zoliflodacin do not include sales by GARDP in low-income and specified middle-income countries as discussed above. Our obligation to make these royalty payments expires on a country-by-country basis for each product upon the later of (i) the 10-year anniversary of the first commercial sale of a product in that country or (ii) the expiration date of the last patent right covering the product in that country.

The royalty expense in respect of durlobactam arising from our net product sales of XACDURO® was not material for the three and nine months ended September 30, 2026 and 2025.

Massachusetts Institute of Technology

In connection with the asset acquisition described in Note 13, "Asset Acquisition", in September 2025, we entered into a license agreement with Massachusetts Institute of Technology ("MIT"), under which MIT licensed to us certain patent rights relating to a drug delivery device. Under this agreement, we paid an upfront fee of $0.5 million and are obligated to pay a minimal annual maintenance fee. We are also obligated to pay MIT up to $17.5 million in development, regulatory and sales milestone payments, and pay royalties in a low single-digit percentage on future net sales related to the licensed product.

5. Consolidated Entity

ISP Fund LP

As of September 30, 2026, we continued to hold approximately 100% of the economic interest of the ISP Fund LP ("Partnership"). As of September 30, 2026 and December 31, 2025, total assets of the Partnership were $31.9 million and $79.7 million, respectively, with the majority attributable to either current portion of ISP Fund investments or to equity and long-term investments. As of September 30, 2026 and December 31, 2025, total liabilities were $0.1 million. During the nine months ended September 30, 2026, $47.5 million in cash was distributed to us by the Partnership.

During the three and nine months ended September 30, 2026, we recorded $0.1 million and $0.6 million, respectively, in investment-related expense incurred by the Partnership, and generated $0.1 million and $0.3 million, respectively, in interest income. During the three and nine months ended September 30, 2026, we recorded $2.7 million in net unrealized losses and $14.9 million in net unrealized gains, respectively, as changes in fair values of equity and long-term investments, net, in the unaudited condensed consolidated statements of income and comprehensive income. During the nine months ended September 30, 2026, we recorded $14.9 million in net realized losses as changes in fair values of equity and long-term investments, net, in the unaudited condensed consolidated statements of income and comprehensive income. During the three and nine months ended September 30, 2025, we recorded $0.4 million and $1.9 million, respectively, in investment-related expense incurred by the Partnership, generated $0.8 million and $3.2 million, respectively, in interest income, and recorded $11.7 million in net realized and unrealized gains and $69.2 million in net realized and unrealized losses, respectively, as changes in fair values of equity and long-term investments, net, in the unaudited condensed consolidated statements of income and comprehensive income.

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

(In thousands)	September 30, 2026	December 31, 2025
Common stock - Publicly traded healthcare companies		
United States	$ 12,286	$ 52,392
United Kingdom	8,267	8,874
Total common stock	20,553	61,266
Preferred stock - Privately held healthcare companies		
United States	2,686	2,748
Money market fund and cash	8,667	15,727
Total investments held by ISP Fund LP	$ 31,906	$ 79,741

6. Equity and Long-Term Investments and Fair Value Measurements

Equity and Other Investments in Armata

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

In January 2026, we entered into various amendments to existing agreements with Armata, extending the maturities of the convertible note and the term loans issued in July 2023, March 2024 and March 2025 to June 1, 2027. The expiration dates of all outstanding Armata warrants held by us were extended to January 26, 2031.

The maturity date of the term loan issued in August 2025 remained unchanged at January 11, 2029.

In addition, we entered into an amendment to the amended and restated investor rights agreement, pursuant to which the Company and ISO agreed that the voting agreement will expire at the earlier of January 26, 2031 or the approval by the FDA of any of Armata's product candidates for marketing and commercial distribution. As of September 30, 2026, our ownership in Armata was 67.4%.

In May 2026, ISO and Armata entered into a Credit and Security Agreement, under which ISO extended a term loan to Armata (the “Armata May 2026 Term Loan”) in the aggregate principal amount of $25.0 million. The loan bears interest at a rate of 14% per annum and matures on January 11, 2029. The Credit and Security Agreement is secured by substantially all assets of Armata and its domestic and foreign material subsidiaries.

As of September 30, 2026, the fair values of our holdings of 25,076,769 shares of Armata common stock, 10,653,847 warrants, a $30.1 million convertible note and $110.1 million in term loans were estimated at $92.0 million, $29.9 million, $68.1 million, and $133.6 million, respectively. As of December 31, 2025, the fair values of these holdings were estimated at $157.5 million, $36.2 million, $101.4 million, and $102.8 million, respectively.

For the Armata common stock and warrants, we recorded $97.6 million and $71.8 million in unrealized loss as changes in fair values of equity method investments, net, in the unaudited condensed consolidated statements of income and comprehensive income for the three and nine months ended September 30, 2026, respectively, and $30.8 million and $30.3 million in unrealized gain for the three and nine months ended September 30, 2025, respectively.

For the Armata convertible note, we recorded $36.9 million and $33.3 million in unrealized loss as changes in fair values of equity and long-term investments, net, in the unaudited condensed consolidated statements of income and comprehensive income for the three and nine months ended September 30, 2026, respectively, and $13.0 million and $14.9 million in unrealized gain for the three and nine months ended September 30, 2025, respectively.

For the Armata term loans, we recorded $0.5 million and $5.8 million in unrealized gain as changes in fair values of equity and long-term investments, net, in the unaudited condensed consolidated statements of income and comprehensive income for the three and nine months ended September 30, 2026, respectively, and $3.4 million and $7.2 million in unrealized gain for the three and nine months ended September 30, 2025, respectively.

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

Income Statement Information

	Three Months Ended June 30,		Nine Months Ended June 30,	
(In thousands)	**2026**	**2025**	**2026**	**2025**
Revenue	$ 2,510	$ 2,169	$ 4,384	$ 3,895
Loss from operations	$ (10,312)	$ (6,844)	$ (32,920)	$ (25,574)
Net income (loss)	$ 74,141	$ (16,295)	$ (165,503)	$ (20,226)

Equity and Other Investments in InCarda

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

As of September 30, 2026 and December 31, 2025, ITH owns 36,742,250 shares of InCarda’s common and preferred stock and 2,490,033 warrants, representing a 9.5% equity interest. Over the years, ITH has also invested $2.1 million in InCarda’s convertible notes.

As of September 30, 2026 and December 31, 2025, we recorded $7.5 million in carrying amount of InCarda’s preferred stock, approximately $0.1 million in fair value of warrants and $2.1 million in fair value of convertible notes as equity and long-term investments in the unaudited condensed consolidated balance sheets.

During the three and nine months ended September 30, 2026 and 2025, the change to the carrying amount of our investments in InCarda was not material.

Equity and Other Investments in ImaginAb

Since March of 2021, ITH has invested $7.6 million in 8,825,301 shares of common and preferred stock of ImaginAb, Inc. (“ImaginAb”), a privately held biotechnology company focused on clinically managing cancer and autoimmune diseases via molecular imaging. As of September 30, 2026, and December 31, 2025, we held an 11.8% of equity ownership in ImaginAb.

As of September 30, 2026 and December 31, 2025, our investment of $7.6 million was recorded as equity and long-term investments in the unaudited condensed consolidated balance sheets. There was no change in the carrying amount of our equity investments in ImaginAb during the periods presented.

Equity and Other Investments in Syndeio Biosciences

Syndeio Biosciences, Inc. (formerly known as Gate Neurosciences, Inc.) ("Syndeio") is a privately held biopharmaceutical company focused on developing the next generation of targeted nervous system therapies, leveraging precision medicine approaches to develop breakthrough drugs for psychiatric and neurologic diseases. In May 2025, Gate Neurosciences, Inc. rebranded as Syndeio. From 2021 to 2024, ITH invested a total of $51.5 million including $0.9 million in transaction costs in Syndeio's convertible notes (the "Syndeio 2021 Convertible Note"). In 2025, ITH invested a total of $25.8 million in Syndeio's new convertible notes (the "Syndeio 2025 Convertible Note").

On February 10, 2026, ITH entered into a Note Amendment Agreement with Syndeio to amend the Syndeio 2021 Convertible Note. Pursuant to the Note Amendment Agreement, the principal amount of the Syndeio 2021 Convertible Note was increased from $50.6 million to $60.8 million, which represents the principal and accrued interest as of the amendment date and an additional cash investment of $5.0 million. Certain thresholds associated with the definition of qualified financing were likewise amended. All other material terms of the Syndeio 2021 Convertible Note remained unchanged.

On March 25, 2026, ITH entered into another Note Amendment Agreement with Syndeio to amend the Syndeio 2021 Convertible Note. Under the Note Amendment Agreement, the principal amount of the Syndeio 2021 Convertible Note was increased from $60.8 million to $66.5 million, which represents the principal and accrued interest as of the amendment date and an additional cash investment of $5.0 million. All other material terms of the Syndeio 2021 Convertible Note remained unchanged.

On June 11, 2026, ITH and other existing Syndeio investors entered into a Series B Preferred Stock Purchase Agreement with Syndeio, pursuant to which ITH purchased 3.75 million shares of Series B Preferred Stock for $30.0 million. Concurrently, the Syndeio 2025 Convertible Note with an outstanding balance of $27.0 million, including principal and accrued interest, was converted into 4.2 million shares of Series B-2 Preferred Stock, and $1.1 million of the Syndeio 2021 Convertible Note was converted into 175,000 shares of Series B-2 Preferred Stock. As of September 30, 2026, we held 44.4% of equity ownership in Syndeio.

On the same date, ITH also entered into an amendment to the Syndeio 2021 Convertible Note to increase the principal amount to $66.5 million, representing the remaining principal after the aforementioned conversion and accrued interest. All other material terms remained unchanged.

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

We account for our investment in Syndeio Series B and Series B-2 preferred stock using the measurement alternative because Syndeio's equity securities are not publicly traded and do not have a readily determinable fair value. As of September 30, 2026, our equity investments of $58.2 million were recorded as equity and long-term investments in the unaudited condensed consolidated balance sheets.

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

As of September 30, 2026, and December 31, 2025, the fair value of the Syndeio 2021 Convertible Note was estimated at $67.5 million and $62.9 million, respectively, and recorded as equity and long-term investments in the unaudited condensed consolidated balance sheets. We recorded $2.9 million and $11.4 million in unrealized loss for the three and nine months ended September 30, 2026, respectively, and $6.3 million and $26.8 million in unrealized gain for the three and nine months ended September 30, 2025, respectively, as changes in fair values of equity and long-term investments, net in the unaudited condensed consolidated statements of income and comprehensive income. We also recorded $1.2 million of accrued interest as interest income for the nine months ended September 30, 2026 in the unaudited condensed consolidated statements of income and comprehensive income.

As of December 31, 2025, the fair value of the Syndeio 2025 Convertible Note was estimated at $24.5 million and recorded as equity and long-term investments in the unaudited condensed consolidated balance sheet. We recorded $1.2 million in interest income and $1.3 million in unrealized gain for the nine months ended September 30, 2026. We recorded $0.6 million in unrealized loss for the three months ended September 30, 2025 and immaterial unrealized gains for the nine months ended September 30, 2025 as changes in fair values of equity and long-term investments, net in the unaudited condensed consolidated statement of income and comprehensive income.

Equity Investment in Nanolive

In 2022, ITH invested $9.8 million in 18,750,000 shares of preferred stock of Nanolive SA ("Nanolive"), a Swiss privately held life sciences company focused on developing breakthrough imaging solutions that accelerate research in growth industries such as drug discovery and cell therapy. ITH has the right to designate one member to Nanolive's board. ITH also has the right to designate another member, who will be mutually acceptable to ITH and another stockholder, to Nanolive's board. As of September 30, 2026, no Innoviva designee is serving on Nanolive's six-member board. As of September 30, 2026 and December 31, 2025, we held 13.0% of Nanolive equity ownership.

As of September 30, 2026 and December 31, 2025, $10.6 million was recorded as equity and long-term investments in the unaudited condensed consolidated balance sheets, and there was no change to the carrying amount of our investment.

Convertible Promissory Note in Lyndra

In 2025, we invested $9.2 million in the convertible promissory note of Lyndra Therapeutics, Inc. ("Lyndra"), which was then a clinical-stage company with a novel drug delivery platform that enables the administration of ultra-long-acting oral drugs. In 2025, we received a $3.3 million partial repayment on the note, reducing the outstanding principal to $5.9 million.

As of September 30, 2026 and December 31, 2025, the fair value of the note was estimated at $3.5 million and recorded as equity and long-term investments in the unaudited condensed consolidated balance sheets. There was no change in the carrying amount of the note during the periods presented.

Equity Investment in Beacon

Beacon Biosignals, Inc. ("Beacon") is an AI-driven neurotechnology company developing treatments for neurological, psychiatric, and sleep disorders. On October 7, 2025, ITH entered into a Preferred Stock Purchase Agreement with Beacon, pursuant to which ITH acquired 1,448,303 shares of Beacon's Series B Preferred Stock for $17.5 million. On September 18, 2026, ITH entered into a Series B-2 Preferred Stock Purchase Agreement with Beacon, under which ITH acquired 266,186 shares of Beacon's Series B-2 Preferred Stock for $5.4 million. As of September 30, 2026 and December 31, 2025, we held 5.5% and 5.6%, respectively, of equity ownership in Beacon.

As of September 30, 2026 and December 31, 2025, our investments in Beacon of $23.0 million and $17.5 million, respectively, were recorded as equity and long-term investments in the unaudited condensed consolidated balance sheets, and there was no change to the carrying amount of our investment in the periods presented.

Reconciliation of Equity and Long-Term Investments Balances

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

(In thousands)	Amount
Equity and long-term investments as of December 31, 2024	$ 341,664
Purchases of trading securities	61,729
Proceeds from trading securities	(8,427)
Purchases of equity and other long-term investments	17,533
Net sales and purchases of investments managed by ISP Fund	(120,955)
Changes in fair value, net	20,160
Reclassification of current portion	91,805
Other	988
Equity and long-term investments as of December 31, 2025	$ 404,497
Purchases of trading securities	43,204
Purchases of equity and other long-term investments	35,451
Net sales and purchases of investments managed by ISP Fund	(47,500)
Changes in fair value, net	(37,482)
Reclassification of current portion	7,060
Other	(396)
Equity and long-term investments as of September 30, 2026	$ 404,834

Available-for-Sale Securities

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

	September 30, 2026			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Money market funds [1]	$ 552,903	$ —	$ —	$ 552,903
Total	$ 552,903	$ —	$ —	$ 552,903

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

	December 31, 2025			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Money market funds [1]	$ 530,278	$ —	$ —	$ 530,278
Total	$ 530,278	$ —	$ —	$ 530,278

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

As of September 30, 2026 and December 31, 2025, all available-for-sale investments were money market funds, and there was no credit loss recognized.

Fair Value Measurements

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

Types of Instruments (In thousands)	Estimated Fair Value Measurements as of September 30, 2026 Using: Quoted Price in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
Assets				
Money market funds	$ 552,903	$ —	$ —	$ 552,903
Investments held by ISP Fund LP	29,220	—	2,686	31,906
Equity investment - Armata Common Stock	92,032	—	—	92,032
Equity investment - Armata Warrants	—	29,925	—	29,925
Equity investment - InCarda Warrants	—	—	3	3
Term loan investment - Armata July 2023 Term Loan	—	—	35,041	35,041
Term loan investment - Armata March 2024 Term Loan	—	—	46,167	46,167
Term loan investment - Armata March 2025 Term Loan	—	—	11,892	11,892
Term loan investment - Armata August 2025 Term Loan	—	—	15,906	15,906
Term loan investment - Armata May 2026 Term Loan	—	—	24,627	24,627
Convertible debt investment - Armata Note	—	—	68,091	68,091
Convertible debt investment - InCarda 2024 Convertible Note	—	—	436	436
Convertible debt investment - InCarda February 2025 Convertible Note	—	—	475	475
Convertible debt investment - InCarda October 2025 Convertible Note	—	—	1,225	1,225
Convertible debt investment - Syndeio 2021 Convertible Note	—	—	67,450	67,450
Convertible debt investment - Lyndra Convertible Note	—	—	3,492	3,492
Total assets measured at estimated fair value	$ 674,155	$ 29,925	$ 277,491	$ 981,571
Liability				
2028 Notes	$ —	$ 268,531	$ —	$ 268,531

Types of Instruments (In thousands)	Estimated Fair Value Measurements as of December 31, 2025 Using: Quoted Price in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
Assets				
Money market funds	$ 530,278	$ —	$ —	$ 530,278
Investments held by ISP Fund LP	76,993	—	2,748	79,741
Equity investment - Armata Common Stock	157,482	—	—	157,482
Equity investment - Armata Warrants	—	36,244	—	36,244
Equity investment - InCarda Warrants	—	—	43	43
Term loan investment - Armata July 2023 Term Loan	—	—	32,899	32,899
Term loan investment - Armata March 2024 Term Loan	—	—	43,290	43,290
Term loan investment - Armata March 2025 Term Loan	—	—	11,125	11,125
Term loan investment - Armata August 2025 Term Loan	—	—	15,534	15,534
Convertible debt investment - Armata Note	—	—	101,358	101,358
Convertible debt investment - InCarda 2024 Convertible Note	—	—	436	436
Convertible debt investment - InCarda February 2025 Convertible Note	—	—	475	475
Convertible debt investment - InCarda October 2025 Convertible Note	—	—	1,225	1,225
Convertible debt investment - Syndeio 2021 Convertible Note	—	—	62,937	62,937
Convertible debt investment - Syndeio 2025 Convertible Note	—	—	24,490	24,490
Convertible debt investment - Lyndra Convertible Note	—	—	3,492	3,492
Total assets measured at estimated fair value	$ 764,753	$ 36,244	$ 300,052	$ 1,101,049
Liability				
2028 Notes	$ —	$ 267,013	$ —	$ 267,013

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

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

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

The fair value of our 2028 Notes is based on the recent trading price of the instrument.

7. Goodwill and Intangible Assets

Goodwill and intangible assets acquired are recognized at fair value as of the acquisition date. We recognized goodwill of $11.5 million and $6.4 million from our acquisitions of Entasis and La Jolla, respectively, in 2022. The carrying amount of goodwill as of September 30, 2026 and December 31, 2025 was $17.9 million. We have not recognized any impairment losses related to goodwill during the periods presented.

Intangible assets with definite lives are amortized over their estimated useful lives. The carrying basis and accumulated amortization of recognized intangible assets as of September 30, 2026 and December 31, 2025 were as follows:

	September 30, 2026			
(In thousands)	Useful Life (Years)	Gross Amount	Accumulated Amortization	Net Carrying Amount
Marketed products	8-10	$ 226,300	$ (87,534)	$ 138,766
Collaboration agreement	10	35,400	(11,890)	23,510
Total		$ 261,700	$ (99,424)	$ 162,276

	December 31, 2025			
(In thousands)	Useful Life (Years)	Gross Amount	Accumulated Amortization	Net Carrying Amount
Marketed products	8-10	$ 226,300	$ (70,299)	$ 156,001
Collaboration agreement	10	35,400	(9,245)	26,155
Total		$ 261,700	$ (79,544)	$ 182,156

Intangible assets recognized as a result of the acquisition of Entasis amounted to $106.7 million, which consisted of Entasis' in-process research and development related to its antibacterial therapeutic product candidates and a collaboration agreement amounting to $71.3 million and $35.4 million, respectively. Following the FDA approval of XACDURO® in May 2023, we started amortizing $68.7 million of the then in-process research and development as a marketed product, as well as the collaboration agreement, over their estimated useful lives. Following the FDA approval of NUZOLVENCE® (formerly zoliflodacin) in December 2025, we started amortizing $2.6 million of the then in-process research and development as a marketed product over its estimated useful life.

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

As discussed in Note 4 "License, Collaboration and Other Arrangements", we capitalized the upfront fee of $4.0 million that we paid to Basilea for the exclusive commercialization right of ZEVTERA® in the U.S. under our exclusive distribution and license agreement as an intangible asset. This amount is included in marketed products in the table above and is being amortized over the term of the agreement.

We recognized amortization expense of $6.7 million and $19.9 million for the three and nine months ended September 30, 2026, respectively, and $6.6 million and $19.6 million for the three and nine months ended September 30, 2025, respectively. Future amortization expense is expected to be $6.7 million for the remainder of 2026, $26.6 million for each of the years from 2027 to 2030 and $49.2 million thereafter.

8. Balance Sheet Components

Inventory

Inventory consisted of the following:

(In thousands)	September 30, 2026	December 31, 2025
Raw materials	$ 17,822	$ 16,330
Work-in-process	20,903	17,871
Finished goods	4,113	4,971
Total inventory	$ 42,838	$ 39,172

As of September 30, 2026 and December 31, 2025, total inventory included net fair value adjustments resulting from the acquisition of La Jolla of approximately $1.1 million and $3.4 million, respectively, which will be amortized and recognized as cost of products sold when sales occur in future periods. The fair value adjustments recorded as part of cost of products sold amounted to $0.2 million and $2.2 million for the three and nine months ended September 30, 2026, respectively, and $3.5 million and $4.1 million for the three and nine months ended September 30, 2025, respectively.

Other Accrued Liabilities

Other accrued liabilities consisted of the following:

(In thousands)	September 30, 2026	December 31, 2025
Accrued contract manufacturing expenses	$ 5,227	$ 8,220
Accrued clinical and research expenses	151	185
Accrued professional services	6,922	5,845
Current portion of lease liabilities	759	418
Royalty obligation payable	4,289	3,690
Current portion of deferred royalty obligations	7,723	8,124
Accrued license fees and royalties	2,177	1,964
Other	1,551	1,022
Total other accrued liabilities	$ 28,799	$ 29,468

Other Long-term Liabilities

Other long-term liabilities consisted of the following:

(In thousands)	September 30, 2026	December 31, 2025
Long-term portion of deferred royalty obligation	$ 53,441	$ 54,104
Long-term portion of lease liabilities	10,290	10,868
Other	1,505	1,119
Total other long-term liabilities	$ 65,236	$ 66,091

9. Stock-Based Compensation

Equity Incentive Plan

In May 2026, our stockholders approved the 2026 Equity Incentive Plan (the "2026 Plan"). The 2026 Plan provides for the grant of incentive stock options, nonstatutory stock options, RSAs, RSUs, Stock Appreciation Rights and other stock-based awards to employees, non-employee directors and consultants. A total of 9,000,000 shares of our common stock are reserved for issuance under the 2026 Plan.

Stock-Based Compensation Expense

The following table summarizes stock-based compensation expense:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2026	2025	2026	2025
Selling, general and administrative	$ 3,418	$ 2,247	$ 10,296	$ 6,573
Research and development	249	133	681	376
Total	$ 3,667	$ 2,380	$ 10,977	$ 6,949

10. Stockholders' Equity

On November 3, 2025, our board of directors authorized a new share repurchase program under which we may repurchase up to $125.0 million of our outstanding shares of common stock. For the three months ended September 30, 2026, we repurchased 1,226,948 shares in the open market at an average price of $21.46 per share for a total amount of approximately $26.3 million. For the nine months ended September 30, 2026, we repurchased 3,601,261 shares in the open market at an average price of $21.70 per share for a total amount of approximately $78.2 million. From program inception through September 30, 2026, we have repurchased Innoviva common stock in the open market for a total price of approximately $82.7 million. Subsequent to September 30, 2026, and through October 31, 2026, we have repurchased 454,835 shares in the open market for a total of approximately $9.6 million. All repurchased shares were retired.

11. Debt

Convertible Senior Notes Due 2025

On August 7, 2017, we completed a private placement of $192.5 million aggregate principal amount of our 2025 Notes.

The 2025 Notes were convertible, based on the applicable conversion rate, into cash, shares of our common stock or a combination thereof, at our election.

In June 2025, we elected to settle the 2025 Notes in shares. Approximately $192.5 million of the principal amount was converted into 11,148,918 shares of our common stock. The remaining principal balance of $25,000 was fully paid in cash upon the maturity date on August 15, 2025.

The annual effective interest rate on the 2025 Notes in 2025 up to its settlement was 2.90%.

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

(In thousands)	Three Months Ended September 30, 2025	Nine Months Ended September 30, 2025
Contractual interest expense	$ 600	$ 3,002
Amortization of debt issuance costs	97	472
Total interest and amortization expense	$ 697	$ 3,474

Convertible Senior Notes Due 2028

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

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

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

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

Our outstanding 2028 Notes balance consisted of the following:

(In thousands)	September 30, 2026	December 31, 2025
Principal	$ 261,000	$ 261,000
Debt discount and issuance costs, net	(2,178)	(3,269)
Net carrying amount	$ 258,822	$ 257,731

The following table sets forth total interest expense recognized related to the 2028 Notes for the three and nine months ended September 30, 2026 and 2025:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2026	2025	2026	2025
Contractual interest expense	$ 1,387	$ 1,387	$ 4,160	$ 4,160
Amortization of debt discount and issuance costs	368	358	1,091	1,061
Total interest and amortization expense	$ 1,755	$ 1,745	$ 5,251	$ 5,221

Debt Maturities

The aggregate scheduled maturities of our convertible debt as of September 30, 2026 were as follows:

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

Deferred Royalty Obligation

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

We recognized interest expense of $3.7 million and $11.1 million for the three and nine months ended September 30, 2026, respectively, and $1.6 million and $4.7 million for the three and nine months ended September 30, 2025, respectively. The carrying value of the deferred royalty obligation as of September 30, 2026 and December 31, 2025 was $61.2 million and $62.2 million, respectively (refer to Note 8, "Balance Sheet Components"). During the nine months ended September 30, 2026 and 2025, we made royalty payments to HCR of $11.6 million and $9.5 million, respectively. The deferred royalty obligation was valued using Level 3 inputs, and its carrying value as of September 30, 2026 approximates fair value. The fair value of the deferred royalty obligation was calculated as the discounted deferred royalty obligations based on risk-adjusted revenue projections for GIAPREZA®. As of September 30, 2026, the annual effective interest rate of the deferred royalty obligation for the current period is 26.10%.

Certain contract provisions within the La Jolla Royalty Agreement that could result in an acceleration of amounts due under the La Jolla Royalty Agreement are recognized as embedded derivatives that require bifurcation from the deferred royalty obligation and fair value recognition. We determined the fair value of each derivative by assessing the probability of each event occurring, as well as the potential repayment amounts and timing of such repayments that would result under various scenarios. As a result of this assessment, we determined that the fair value of the embedded derivatives is not material and, therefore, not recognized as of September 30, 2026 and December 31, 2025. We estimate the fair value of the embedded derivatives for each reporting period until either the features lapse or the La Jolla Royalty Agreement is terminated, whichever occurs first. Any material change in the fair value of the embedded derivatives will be recorded as either a gain or loss in the consolidated statements of income and comprehensive income.

12. Commitments and Contingencies

Operating Lease

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

In 2019, we entered into an operating lease for our headquarters in Burlingame, California for approximately 2,111 square feet. The lease commenced in November 2019 with an initial term of thirty-six calendar months, which was subsequently amended to expire in December 2027. Our operating leases include a facility lease consisting of 15,500 square feet of office space in Waltham, Massachusetts, which expires in March 2029. In November 2025, we entered into an operating lease for approximately 22,881 square feet of office and laboratory space in Lexington, Massachusetts, which expires in April 2036. We have the option to terminate this lease, for an early termination fee, before May 2029.

The components of lease cost were as follows:

(In thousands)	Three Months Ended September 30, 2026	Three Months Ended September 30, 2025	Nine Months Ended September 30, 2026	Nine Months Ended September 30, 2025
Straight line operating lease costs	$ 423	$ 303	$ 1,272	$ 907
Variable lease costs	141	(2)	400	3
Total lease costs	$ 564	$ 301	$ 1,672	$ 910

Supplemental cash flow information related to leases was as follows:

(In thousands)	Nine Months Ended September 30, 2026	Nine Months Ended September 30, 2025
Cash paid for amounts included in the measurement of operating lease liabilities	$ 681	$ 1,277

As of September 30, 2026, our operating leases have a weighted-average remaining term of approximately 9.0 years and the weighted average discount rate on our operating lease liabilities was 5.3%.

Future minimum payments on our operating leases as of September 30, 2026 were as follows:

(In thousands)	Amount
Years ending December 31:	
Remainder of 2026	$ 324
2027	1,327
2028	1,224
2029	1,335
2030	1,454
Thereafter	8,516
Total undiscounted lease payments	14,180
Less: imputed interest	(3,131)
Total operating lease liabilities	$ 11,049

Purchase Commitments

In April 2024, we entered into a Commercial Supply Agreement with Corden Pharma CHENÔVE SAS ("Corden"), under which we engaged Corden to manufacture and supply certain products related to XACDURO® and to perform certain services and studies. Under the agreement, we committed to minimum purchase commitments through December 31, 2027. As of September 30, 2026, we have satisfied our purchase commitments for the year 2026 and have approximately $5.9 million U.S. dollar equivalent in purchase commitments under the agreement for the year 2027.

Legal Proceedings

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

Indemnification and Other Contingencies

In the ordinary course of business, we may provide indemnifications of varying scope and terms to vendors, directors, officers, and other parties with respect to certain matters, including, but not limited to, losses arising out of breach of such agreements, services to be provided by us, our negligence or willful misconduct, violations of law, or intellectual property infringement claims made by third parties. In addition, we have entered into indemnification agreements with directors and certain officers and employees that will require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers, or employees. No material demands have been made upon us to provide indemnification under such agreements, and thus, there are no claims that we are aware of that could have a material effect on our consolidated financial statements. We also maintain director and officer insurance, which may cover certain liabilities arising from our obligation to indemnify our directors. To date, we have not incurred any material costs and, as of September 30, 2026, we have not accrued any material liabilities in the unaudited condensed consolidated financial statements as a result of these provisions.

13. Asset Acquisition

In September 2025, we entered into an Asset Purchase Agreement with Lyndra to acquire the IPR&D and certain fixed assets related to its Lynx™ long-acting drug delivery platform. We made an upfront cash payment of $10.2 million and incurred $0.3 million in direct transaction costs. We are also obligated to pay up to $20.0 million upon the achievement of certain development, regulatory and sales milestone payments, as well as royalties in a low single-digit percentage on future net sales of the first approved therapeutic product.

Based on the qualitative and quantitative assessments performed under ASC 805, *Business Combinations*, we concluded that the set of assets acquired did not meet the definition of a business and, therefore, accounted for the transaction as an asset acquisition. The assets acquired in the transaction were recorded at their allocated costs based on their relative fair values. The allocated cost of the IPR&D acquired was $9.4 million, which was charged to research and development expense as it had no alternative future use at the time of the acquisition. The allocated cost of the fixed assets, which consist of laboratory equipment, was $1.1 million and was capitalized within property and equipment.

14. Income Taxes

We recorded income tax benefit of $23.7 million and $0.4 million for the three and nine months ended September 30, 2026, respectively, and income tax expense of $7.9 million and $24.8 million for the three and nine months ended September 30, 2025, respectively. The Company's effective income tax rate for the nine months ended September 30, 2026 was (1.2)% compared to 18.8% for the same period in 2025. The income tax expense for the nine months ended September 30, 2026 and 2025 was determined based upon estimates of the Company's effective income tax rates in various jurisdictions. Our effective tax rate for the nine months ended September 30, 2026 was lower than the U.S. federal statutory income tax rate primarily related to foreign-derived intangible income tax deduction and discrete tax benefits related to unrealized loss on investment. For the three months ended September 30, 2026, we reversed a $38.9 million reserve for potential foreign tax liabilities upon expiration of the applicable statute of limitations. The reversal was reflected in "Other Assets" and "Long-Term Income Tax Payable" in the unaudited condensed consolidated balance sheet.

15. Segment Reporting

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

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

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

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

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

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

(In thousands)	Three Months Ended September 30, 2026	Three Months Ended September 30, 2025	Nine Months Ended September 30, 2026	Nine Months Ended September 30, 2025
Total revenue	$ 106,120	$ 107,800	$ 323,705	$ 296,715
Less:				
Cost of products sold	15,038	25,643	52,994	45,075
Amortization of acquired intangible assets	6,700	6,618	19,880	19,640
Selling and marketing	12,779	8,591	32,616	24,809
General and administrative	24,236	18,700	71,408	56,385
Research and development - External services and expenses	2,450	2,863	7,519	12,696
Research and development - Internal expenses	2,764	1,439	8,126	3,985
Research and development - Acquired IPR&D	—	9,368	—	9,368
Changes in fair values of equity method investments, net	97,585	(30,751)	71,769	(30,284)
Changes in fair values of equity and long-term investments, net	41,904	(31,510)	37,482	22,509
Interest and dividend income	(5,316)	(5,472)	(23,902)	(14,935)
Interest expense	5,472	4,015	16,381	13,389
Other expense, net	118	479	499	2,252
Income tax expense (benefit), net	(23,722)	7,909	(354)	24,814
Consolidated net income (loss)	$ (73,888)	$ 89,908	$ 29,287	$ 107,012

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

Forward-Looking Statements

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

Important factors that we believe could cause actual results or events to differ materially from our forward-looking statements include, but are not limited to, risks related to: lower than expected future royalty revenue from respiratory products partnered with GSK, the commercialization of RELVAR®/BREO® ELLIPTA®, ANORO® ELLIPTA®, GIAPREZA®, XACDURO®, XERAVA®, ZEVTERA® and NUZOLVENCE® in the jurisdictions in which these products have been approved; the strategies, plans and objectives of the Company (including the Company's growth strategy and corporate development initiatives); the timing, manner, and amount of potential capital returns to shareholders; the status and timing of clinical studies, data analysis and communication of results; the potential benefits and mechanisms of action of product candidates; expectations for product candidates through development and commercialization; the timing of regulatory approval of product candidates; and projections of revenue, expenses and other financial items; the timing, manner and amount of capital deployment, including potential capital returns to stockholders; and risks related to the Company's growth strategy and risks discussed in "Risk Factors" in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2025 filed with the Securities and Exchange Commission ("SEC") on February 25, 2026, and as amended on March 27, 2026 ("2025 Form 10-K"), and Item 1A of Part II of our Quarterly Reports on Form 10-Q and below in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Item 2 of Part I. All forward-looking statements in this Quarterly Report on Form 10-Q are based on current expectations as of the date hereof and we do not assume any obligation to update any forward-looking statements on account of new information, future events or otherwise, except as required by law.

We encourage you to read our unaudited condensed consolidated financial statements contained in this Quarterly Report on Form 10-Q. We also encourage you to read Item 1A of Part I of our 2025 Form 10-K and Item 1A of Part II of our Quarterly Reports on Form 10-Q entitled "Risk Factors," which contain a more complete discussion of the risks and uncertainties associated with our business. In addition to the risks described above and in Item 1A of Part I of our 2025 Form 10-K and Item 1A of Part II of this report, other unknown or unpredictable factors also could affect our results. Therefore, the information in this report should be read together with other reports and documents that we file with the SEC from time to time, including on Form 10-K, Form 10-Q and Form 8-K, which may supplement, modify, supersede or update those risk factors. As a result of these factors, we cannot assure you that the forward-looking statements in this report will prove to be accurate. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame, or at all.

OVERVIEW

Executive Summary

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

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

Our wholly owned, critical care and infectious disease operating platform with a hospital focus, is anchored by a portfolio of four commercial and marketed products, as well as an FDA-approved product which is expected to be available to patients before the end of 2026:

- GIAPREZA® (angiotensin II) for increasing blood pressure in adults with septic or other distributive shock;
- XACDURO® (sulbactam for injection; durlobactam for injection), co-packaged for intravenous use for the treatment of hospital-acquired and ventilator-associated bacterial pneumonia caused by Acinetobacter;
- XERAVA® (eravacycline) for the treatment of complicated intra-abdominal infections in adults;
- ZEVTERA® (ceftobiprole), an advanced-generation cephalosporin antibiotic for the treatment of staphylococcus aureus bacteremia, including those with right-sided endocarditis, acute bacterial skin and skin structure infections, and community-acquired bacterial pneumonia, licensed from Basilea Pharmaceutica Ltd, Allschwil (SIX: BSLN) ("Basilea") for U.S. commercialization and commercially launched in the third quarter of 2025; and
- NUZOLVENCE® (formerly known as zoliflodacin), approved by the FDA on December 12, 2025, for the treatment of uncomplicated urogenital gonorrhea in adults and adolescents.

In addition, we own other strategic healthcare assets, such as a significant stake in Armata Pharmaceuticals, Inc. ("Armata"), a leader in development of bacteriophages with potential use across a range of infectious and other serious diseases. We also have economic interests in other healthcare companies through our portfolio approach.

Our disciplined focus on deploying capital in areas of significant unmet medical need with high value creation potential has driven a meaningful transformation of our company over the years from a pure-play royalty business to a diversified biopharmaceutical company with a strong, fast-growing, differentiated operating platform and multiple other assets with significant promise. We believe we are well-positioned to deliver significant long-term shareholder value.

Our company structure and organization are tailored to our focused activities of managing our respiratory assets partnered with GSK, commercializing our marketed products, developing our product candidates, optimizing capital allocation, and providing for certain essential reporting and management functions of a public company.

Third Quarter 2026 and Recent Highlights:

Financial Highlights

- **Total revenue:** $106.1 million, decreased modestly by 1.6% year-over-year compared to $107.8 million for the third quarter of 2025, as growth in U.S. net product sales partially offset with royalty revenue and the timing of inventory sales to ex-U.S. partners.
- **Royalty revenue:** gross royalty revenue from GSK remains stable at $58.1 million.
- **Net product sales:** $49.4 million, comprising $43.3 million in U.S. net product sales and $6.1 million in ex-U.S. sales. U.S. net product sales increased 45% year-over-year, compared to $29.9 million in the same quarter of 2025. U.S. net product sales primarily consisted of $23.1million from GIAPREZA®, $16.1 million from XACDURO®, and $3.4 million from XERAVA®.
- **Income from operations:** $42.2 million, 21.9% increase compared to $34.6 million for the third quarter of 2025, primarily driven by higher U.S. net product sales, partially offset by increased operating expenses associated with the expansion of commercial activities to support future sales growth.

- **Equity and long-term investments:** net unfavorable changes in fair value of equity and long-term investments totaled $139.5 million, primarily attributable to a decline in the stock price of Armata at quarter-end. As of September 30, 2026, Innoviva's strategic healthcare investments were valued at $535.5 million, consisting of $323.7 million invested in Armata, $179.9 million in other strategic equity and convertible debt investments, and $31.9 million in investments held by ISP Fund.

- **Net income (loss):** net loss of $73.9 million, or $1.03 basic loss per share, driven primarily by a decrease in fair value of equity and long-term investments.

- **Cash and cash equivalents: t**otaled $581.4 million. Royalty and net product sales receivables totaled $102.1 million as of September 30, 2026.

Business Highlights

- **Innoviva Specialty Therapeutics (IST)**
  - Updated 2026 guidance from the Infectious Diseases Society of America (IDSA) further strengthens the clinical positioning of XACDURO® (sulbactam/durlobactam for injection), reaffirming its use with imipenem or meropenem as the preferred treatment for invasive carbapenem-resistant *Acinetobacter baumannii* (CRAB) infections. By recommending high-dose ampicillin-sulbactam combination regimens only as temporary bridging therapy when XACDURO® is not immediately available, the updated guidance underscores the importance of timely hospital access and supports XACDURO's opportunity for broader adoption and continued commercial growth.
  - The 2026 Antimicrobial Resistance Threats Report from the Centers for Disease Control and Prevention identifies four pathogens in its highest threat category, requiring "urgent and aggressive action." IST markets therapies targeting two of these pathogens — XACDURO® for carbapenem-resistant *Acinetobacter* and NUZOLVENCE® for drug-resistant *Neisseria gonorrhoeae* — reinforcing its leadership in addressing critical gaps in the treatment of drug-resistant infections.
  - NUZOLVENCE® (zoliflodacin) is now commercially available in the U.S., expanding IST's commercial portfolio. Initial commercial efforts are focused on establishing market access, distribution and dispensing infrastructure to help eligible patients receive treatment when prescribed and support adoption over time.
  - IST presented data at IDWeek 2026, the annual meeting of IDSA, the Society for Healthcare Epidemiology of America (SHEA), the HIV Medicine Association (HIVMA), and the Pediatric Infectious Diseases Society (PIDS) for ZEVTERA® and NUZOLVENCE®, highlighting evidence generation across antimicrobial-resistant and difficult-to-treat infections.
  - XACDURO® (sulbactam/durlobactam for injection), ZEVTERA® (ceftobiprole medocaril sodium for injection), and NUZOLVENCE® (zoliflodacin) were nominated as finalists for the 2026 Prix Galien USA Award in the "Best Pharmaceutical Product" category, marking the third consecutive year an IST product has been recognized by the renowned Galien Foundation.
- **Capital Allocation**
  - During the third quarter of 2026, Innoviva repurchased 1,226,948 shares for $26.3 million under its $125 million share repurchase program. Since inception, and through the end of the third quarter, the Company has repurchased 3,829,116 shares for $82.7 million, reflecting the Company's continued confidence in its intrinsic value and long-term outlook.

LABA Collaboration

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

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

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

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

We are entitled to receive royalties from GSK on sales of RELVAR®/BREO® ELLIPTA® as follows: 15% on the first $3.0 billion of annual global net sales and 5% for all annual global net sales above $3.0 billion. On sales of ANORO® ELLIPTA®, royalties are upward tiering and range from 6.5% to 10%.

Critical Accounting Policies and Estimates

Our management’s discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported revenue generated and expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe there have been no significant changes in our critical accounting policies as described in the Form 10-K for the year ended December 31, 2025 filed with the SEC on February 25, 2026, and as amended on March 27, 2026.

Results of Operations

Net Revenue

Royalty Revenue

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

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
(In thousands)	2026	2025	$	%	2026	2025	$	%
Royalties - RELVAR®/BREO®	$ 45,798	$ 51,508	$ (5,710)	(11)%	$ 140,729	$ 157,135	$ (16,406)	(10)%
Royalties - ANORO®	12,315	11,844	471	4%	35,797	34,816	981	3%
Total royalties	58,113	63,352	(5,239)	(8)%	176,526	191,951	(15,425)	(8)%
Less: amortization of capitalized fees paid	(3,456)	(3,456)	—	*	(10,368)	(10,368)	—	*
Total royalty revenue, net	$ 54,657	$ 59,896	$ (5,239)	(9)%	$ 166,158	$ 181,583	$ (15,425)	(8)%

* Not Meaningful

Total net royalty revenue decreased to $54.7 million and $166.2 million for the three and nine months ended September 30, 2026, compared to $59.9 million and $181.6 million for the same periods a year ago. The decrease in total net royalty revenue was primarily due to lower net sales driven by pricing pressures in the United States.

Net Product Sales

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

(In thousands)	Three Months Ended September 30, 2026	2025	Change $	Change %	Nine Months Ended September 30, 2026	2025	Change $	Change %
U.S.								
GIAPREZA®	$ 23,089	$ 18,152	$ 4,937	27%	$ 63,824	$ 52,519	$ 11,305	22%
XACDURO®	16,117	8,468	7,649	90%	39,651	22,790	16,861	74%
XERAVA®	3,436	3,189	247	8%	9,156	9,552	(396)	(4)%
ZEVTERA®	624	113	511	*	1,413	452	961	213%
Total U.S.	43,266	29,922	13,344	45%	114,044	85,313	28,731	34%
Rest of the world								
GIAPREZA®	143	307	(164)	(53)%	1,938	1,542	396	26%
XACDURO®	5,886	15,345	(9,459)	(62)%	22,808	19,537	3,271	17%
XERAVA®	149	1,720	(1,571)	(91)%	3,796	6,674	(2,878)	(43)%
Total rest of the world	6,178	17,372	(11,194)	(64)%	28,542	27,753	789	3%
Total net product sales	$ 49,444	$ 47,294	$ 2,150	5%	$ 142,586	$ 113,066	$ 29,520	26%

* Not Meaningful

Our net product sales increased overall during the periods presented, driven by higher sales volume resulting from our strategic commercialization efforts and dedication to delivering our critical care products to healthcare systems. XACDURO® ex-U.S. product sales were higher for the three months ended September 30, 2025 mainly due to the timing of product sales under an interim supply agreement with Zai Lab, which is billed at cost.

License and Other Revenue

License and other revenue, as compared to the prior year period, was as follows:

(In thousands)	Three Months Ended September 30, 2026	2025	Change $	Change %	Nine Months Ended September 30, 2026	2025	Change $	Change %
License and other revenue	$ 2,019	$ 610	$ 1,409	231%	$ 14,961	$ 2,066	$ 12,895	*

* Not Meaningful

License and other revenue for the three and nine months ended September 30, 2026 was derived primarily from our ongoing arrangements with Zai Lab and new agreements with GARDP and DRL as discussed in Note 4, “License, Collaboration and Other Arrangements”, to the Condensed Consolidated Financial Statements.

Cost of Products Sold

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

(In thousands)	Three Months Ended September 30, 2026	2025	Change $	Change %	Nine Months Ended September 30, 2026	2025	Change $	Change %
Cost of products sold	$ 15,038	$ 25,643	$ (10,605)	(41)%	$ 52,994	$ 45,075	$ 7,919	18%

The cost of products sold also includes the inventory step-up value from the acquisition of La Jolla, which is recorded upon the sale of such inventory. The step-up value included above amounted to $0.2 million and $2.2 million for the three and nine months ended September 30, 2026, respectively, and $3.5 million and $4.1 million for the three and nine months ended September 30, 2025, respectively. As of September 30, 2026, our total inventory included the remaining net fair value adjustments resulting from the acquisition of La Jolla of approximately $1.1 million, which will be recognized as cost of products sold when sales occur in future periods. Our cost of products sold was higher during the three months ended September 30, 2025 mainly due to the aforementioned timing of product sales in 2025 under an interim supply agreement with Zai Lab. Our cost of products sold increased during the nine months ended September 30, 2026, driven by higher product sales volume.

Research and Development

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

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
(In thousands)	2026	2025	$	%	2026	2025	$	%
Compensation and related personnel costs	$ 2,120	$ 1,262	$ 858	68%	$ 6,267	$ 3,745	$ 2,522	67%
External services	2,450	2,863	(413)	(14)%	7,519	12,696	(5,177)	(41)%
Acquired IPR&D	—	9,368	(9,368)	(100)%	—	9,368	(9,368)	(100)%
Facilities related	572	120	452	*	1,674	100	1,574	*
Other	72	57	15	26%	185	140	45	32%
Total research and development expense	$ 5,214	$ 13,670	$ (8,456)	(62)%	$ 15,645	$ 26,049	$ (10,404)	(40)%

* Not Meaningful

Research and development expenses for the three and nine months ended September 30, 2026 were $5.2 million and $15.6 million, respectively. The expenses for the current period include additional personnel and facilities costs in support of the acquired IPR&D as discussed in Note 13, “Asset Acquisition”, in the Condensed Consolidated Financial Statements. Research and development expenses for the three and nine months ended September 30, 2025, which consisted primarily of the costs allocated to acquired IPR&D as discussed in Note 13 and the costs associated with the continued advancement of zoliflodacin, approved by the FDA in December 2025, were $13.7 million and $26.0 million, respectively.

Selling, General & Administrative

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

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
(In thousands)	2026	2025	$	%	2026	2025	$	%
Selling, general and administrative	$ 37,015	$ 27,291	$ 9,724	36%	$ 104,024	$ 81,194	$ 22,830	28%

Our selling, general and administrative expenses increased for the three and nine months ended September 30, 2026, compared to the corresponding periods in 2025. The increase during the current period was primarily attributable to our ongoing efforts to expand our sales force to meet demand in new regions, promote our marketed critical care products and drive revenue, maintain regulatory compliance, and support essential administrative functions for general operations.

Interest and Dividend Income and Other Expense, Net

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

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
(In thousands)	2026	2025	$	%	2026	2025	$	%
Interest and dividend income	$ 5,316	$ 5,472	$ (156)	(3)%	$ 23,902	$ 14,935	$ 8,967	60%
Other expense, net	$ (118)	$ (479)	$ 361	(75)%	$ (499)	$ (2,252)	$ 1,753	(78)%

Interest and dividend income decreased slightly for the three months ended September 30, 2026, but increased for the nine months ended September 30, 2026, compared to the corresponding periods in 2025. The increase in interest income for the nine months ended September 30, 2026 included $8.2 million of accrued interest that was converted into either the principal balance of the convertible note investment or preferred shares in Syndeio under various amendments as described in Note 6, "Equity and Long-Term Investments and Fair Value Measurements", to the Condensed Consolidated Financial Statements.

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

Interest Expense

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

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
(In thousands)	2026	2025	$	%	2026	2025	$	%
Interest expense	$ (5,472)	$ (4,015)	$ (1,457)	36%	$ (16,381)	$ (13,389)	$ (2,992)	22%

Our interest expense for the three and nine months ended September 30, 2026 and 2025 comprised mainly of the contractual interest expense and the amortization of debt issuance costs for our 2028 Notes, as well as effective interest expense on our deferred royalty obligation related to GIAPREZA®. The increase for the three and nine months ended September 30, 2026, compared to the same period in 2025, was mainly due to higher interest expense on our deferred royalty obligation as a result of higher sales performance of GIAPREZA®.

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

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

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
(In thousands)	2026	2025	$	%	2026	2025	$	%
Changes in fair values of equity method investments, net	$ (97,585)	$ 30,751	$ (128,336)	*	$ (71,769)	$ 30,284	$ (102,053)	*
Changes in fair values of equity and long-term investments, net	$ (41,904)	$ 31,510	$ (73,414)	(233)%	$ (37,482)	$ (22,509)	$ (14,973)	67%

* Not Meaningful

The changes in fair values of equity method investments for the three and nine months ended September 30, 2026 were driven by fluctuations in Armata's stock price during the reporting periods. We recorded $97.6 million and $71.8 million in unrealized loss for the three and nine months ended September 30, 2026, respectively, compared to $30.8 million and $30.3 million in unrealized gain for the three and nine months ended September 30, 2025, respectively.

The changes in fair values of other equity and long-term investments primarily reflected the net realized gains and losses and net unrealized gains and losses in our strategic investments in Armata, Syndeio, Lyndra and those investments managed by ISP Fund LP.

We recorded $36.4 million and $27.5 million in net negative changes in fair values of equity and long-term investments for the three and nine months ended September 30, 2026, respectively, related to other long-term investments we made in Armata.

We recorded net negative changes in fair value of our investments in Syndeio of $2.9 million and $10.0 million for the three and nine months ended September 30, 2026, respectively.

We recorded $2.7 million in unrealized net negative changes and $0.1 million in realized and unrealized net positive changes in fair values of equity and long-term investments related to the investments managed by ISP Fund LP for the three and nine months ended September 30, 2026, respectively.

Provision for Income Taxes

We recorded income tax benefit of $23.7 million and $0.4 million for the three and nine months ended September 30, 2026, respectively, compared to income tax expense of $7.9 million and $24.8 million for the three and nine months ended September 30, 2025, respectively. The effective income tax rate for the nine months ended September 30, 2026 and 2025 was (1.2)% and 18.8%, respectively.

Liquidity and Capital Resources

Liquidity

Since our inception, we have financed our operations primarily through private placements and public offerings of equity and debt securities and payments received under collaborative arrangements. For the nine months ended September 30, 2026, we generated gross royalty revenues from GSK of $176.5 million, net product sales of $142.6 million and license and other revenue of $15.0 million. Cash and cash equivalents totaled $581.4 million, royalties receivable from GSK totaled $58.1 million and accounts receivable associated with our product sales and license and other revenue totaled $44.0 million as of September 30, 2026.

As of September 30, 2026, we had one outstanding convertible note, the 2028 Notes, in an aggregate principal amount of $261.0 million, which will become due in March 2028. Future interest payments associated with this note total $8.3 million.

On November 3, 2025, our Board of Directors authorized a share repurchase program under which we may repurchase up to $125.0 million of Innoviva's outstanding shares of common stock. From program inception through September 30, 2026, we have repurchased Innoviva common stock in the open market for a total price of approximately $82.7 million. This program has no termination date, may be suspended or discontinued at any time at our discretion and does not obligate us to acquire any amount of common stock.

In 2024, we elected to unwind our capital accounts in ISP Fund LP. During the current year, we received $47.5 million in cash distributions.

Adequacy of Cash Resources to Meet Future Needs

We believe that our cash and cash equivalents will be sufficient to meet our anticipated debt service and operating needs, as well as our ongoing share repurchase program, for at least the next 12 months based upon current operating plans and financial forecasts. Our long-term capital requirements will depend on many factors including the amount of our royalty revenues, sales growth of our currently marketed products, timing of regulatory approval of our product candidates and outcome of our acquisitions and strategic investments. If our current operating plans and financial forecasts change, we may require additional funding sooner in the form of public or private equity offerings or debt financings. Furthermore, if in our view favorable financing opportunities arise, we may seek additional funding in the form of public or private equity offerings or debt financings at any time. However, future financing may not be available in amounts or on terms acceptable to us, if at all. This could leave us without adequate financial resources to fund our operations as currently planned. In addition, from time to time we may restructure or reduce our debt, including through privately negotiated repurchases, tender offers, redemptions, amendments, or otherwise, all allowable with the terms of our debt agreements.

Cash Flows

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

	Nine Months Ended September 30,		
(In thousands)	2026	2025	Change
Net cash provided by operating activities	$ 128,952	$ 142,417	$ (13,465)
Net cash provided by (used in) investing activities	$ (23,685)	$ 16,860	$ (40,545)
Net cash provided by (used in) financing activities	$ (74,814)	$ 12,272	$ (87,086)

Cash Flows from Operating Activities

Net cash provided by operating activities for the nine months ended September 30, 2026 was $129.0 million, consisting primarily of our net income of $29.3 million, adjusted for net non-cash items, which included $109.3 million in net changes in fair value of our investments, $19.9 million of amortization of acquired intangible assets, $10.5 million of amortization of capitalized fees and depreciation of property and equipment, $11.0 million of stock-based compensation, $2.2 million of inventory fair value step-up adjustments and $1.1 million in amortization of debt discount and issuance costs, offset by $24.9 million of deferred taxes and $31.3 million in net changes in operating assets and liabilities.

Net cash provided by operating activities for the nine months ended September 30, 2025 was $142.4 million, consisting primarily of our net income of $107.0 million, adjusted for net non-cash items, which included $19.6 million of amortization of acquired intangible assets, $10.5 million of amortization of capitalized fees and depreciation of property and equipment, $9.4 million of acquired IPR&D, $6.9 million of stock-based compensation, $4.1 million of inventory fair value step-up adjustments and $1.5 million in amortization of debt discount and issuance costs, partially offset by $7.8 million in net changes in fair value of our investments and $13.4 million in net changes in operating assets and liabilities.

Cash Flows from Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2026 of $23.7 million primarily consisted of $70.5 million in purchases of trading securities and other equity investments, $3.3 million in purchases of equity investments managed by ISP Fund LP and $0.9 million in purchases of property and equipment, partially offset by $44.1 million in sales of equity investments managed by ISP Fund LP and $6.7 million in net purchases and sales of other investments managed by ISP Fund LP.

Net cash provided by investing activities for the nine months ended September 30, 2025 of $16.9 million primarily consisted of $71.9 million in sales of equity investments and net purchases and sales of other investments managed by ISP Fund LP and $5.1 million in proceeds from trading securities, partially offset by $49.7 million in purchases of trading securities, $9.4 million in cash paid for acquired IPR&D and $1.1 million in purchases of property and equipment.

Cash Flows from Financing Activities

Net cash used in financing activities for the nine months ended September 30, 2026 of $74.8 million was primarily due to $77.4 million in repurchases of our common stock under the ongoing stock repurchase program, partially offset by net proceeds of $2.9 million from issuances of common stock.

Net cash provided by financing activities for the nine months ended September 30, 2025 of $12.3 million was primarily due to proceeds from exercise of warrants of $10.7 million and net proceeds from issuances of common stock of $1.7 million.

Contractual Obligations

As of September 30, 2026, our notes payable obligation consisted of $261.0 million related to our 2028 Notes, which are due in 2028. Under the terms of the 2028 Notes, we make interest payments of 2.125% of outstanding principal. Refer to Note 11, “Debt” to the Condensed Consolidated Financial Statements for more information.

Our short-term and long-term obligations also include contractual payments related to our operating leases amounting to $14.2 million, with approximately $0.3 million payable through December 31, 2026, amounts ranging between $1.2 million and $1.5 million payable in each of the years 2027 to 2030, and $8.5 million payable thereafter. Refer to Note 12, “Commitments and Contingencies” to the Condensed Consolidated Financial Statements for more information.

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

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

We also entered into a Commercial Supply Agreement with Corden Pharma CHENÔVE SAS ("Corden"), under which we engaged Corden to manufacture and supply certain products related to XACDURO® and to perform certain services and studies. Under the agreement, we committed to minimum purchases through December 31, 2027. As of September 30, 2026, we have approximately $5.9 million U.S. dollar equivalent in outstanding purchase commitments under the agreement.

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

As of September 30, 2026, our debt bears a fixed interest rate and we had no outstanding debt with variable interest rate. Our cash flows on this debt obligation are not subject to variability as a result of changes in interest rates.

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

Inflation has increased during the periods covered by this Quarterly Report on Form 10-Q and could continue to increase for the near future. Inflationary factors, such as increases in the cost of our raw materials, supplies, interest rates and overhead costs, as well as trade and other international disputes, may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, we may experience some effect in the near future if inflation rates continue to rise. Significant adverse changes in inflation and prices in the future could result in material losses.

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We conducted an evaluation as of September 30, 2026, under the supervision and with the participation of our management, of the effectiveness of the design and operation of our disclosure controls and procedures. These controls and procedures, as defined under SEC rules, are designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934 ("Exchange Act") is recorded, processed, summarized and reported within the timeframes specified by the Commission's rules and forms. Additionally, they ensure that information required to be disclosed by the issuer is accumulated and communicated to management, including its principal executive and principal financial officers, or persons performing similar functions, to enable timely decisions regarding required disclosure. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Limitations on the Effectiveness of Controls

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

Changes in Internal Control over Financial Reporting

There have been no material changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the quarter ended September 30, 2026 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

Our business is subject to a number of risks, including those identified in Item 1A of Part I of our 2025 Form 10-K. There have been no material changes to the risk factors described in our 2025 Form 10-K.

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

(a) Sales of Unregistered Securities

None.

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

None.

(c) Purchases of Equity Securities by the Issuer

Period	Total Number of Shares Purchases	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs [1]
July 1, 2026 to July 31, 2026	453,798	$ 21.97	453,798	$ 58,624,671
August 1, 2026 to August 31, 2026	439,354	21.17	439,354	$ 49,323,223
September 1, 2026 to September 30, 2026	333,796	21.15	333,796	$ 42,262,623
Total	1,226,948	$ 21.46	1,226,948	

[1] On November 3, 2025, the Board of Directors of Innoviva authorized a share repurchase program under which we may repurchase up to $125.0 million of our outstanding shares of common stock. The repurchase program authorized the repurchase by the Company of its common stock in open market transactions, including pursuant to a trading plan, in accordance with Rule 10b-18 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), privately negotiated transactions, in block trades, accelerated share repurchase transactions, exchange transactions, or any combination thereof or by other means in accordance with federal securities laws. The authorization permitted management to repurchase shares of the Company's common stock from time to time at management's discretion. Repurchases may also be made pursuant to a trading plan under Rule 10b5-1 under the Exchange Act, which would permit shares to be repurchased when the Company might otherwise be precluded from doing so because of self-imposed trading blackout periods or other regulatory restrictions.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

Trading Arrangements

None of the Company's directors or officers adopted, modified, or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the quarter ended September 30, 2026, as such terms are defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

(a) Index to Exhibits

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

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

SIGNATURES

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

Innoviva, Inc.

Date: November 4, 2026

/s/ Pavel Raifeld

Pavel Raifeld
Chief Executive Officer
(Principal Executive Officer)

Date: November 4, 2026

/s/ Stephen Basso

Stephen Basso
Chief Financial Officer
(Principal Financial Officer)

Exhibit 31.1

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

I, Pavel Raifeld, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 4, 2026

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

Exhibit 31.2

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

I, Stephen Basso, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 4, 2026

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

Exhibit 32

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

I, Pavel Raifeld, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Innoviva, Inc. on Form 10-Q for the period ended September 30, 2026 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition of Innoviva, Inc. at the end of the periods covered by such Quarterly Report on Form 10-Q and results of operations of Innoviva, Inc. for the periods covered by such Quarterly Report on Form 10-Q.

Date: November 4, 2026

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

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

I, Stephen Basso, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Innoviva, Inc. on Form 10-Q for the period ended September 30, 2026 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition of Innoviva, Inc. at the end of the periods covered by such Quarterly Report on Form 10-Q and results of operations of Innoviva, Inc. for the periods covered by such Quarterly Report on Form 10-Q.

Date: November 4, 2026

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