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 March 31, 2023

or

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

For the Transition Period from _____ to _____

Commission File Number: 000-30111

Lexicon Pharmaceuticals, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**76-0474169**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**

2445 Technology Forest Blvd.
11th Floor
The Woodlands, Texas 77381
(Address of Principal Executive Offices and Zip Code)

(281) 863-3000
(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 $0.001	LXRX	The Nasdaq Global Select Market

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

Yes ☑ No _____

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

Yes ☑ No _____

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

Large accelerated filer ____ Accelerated filer ___ Non-accelerated filer ☑
Smaller reporting company ☑ Emerging growth company ____

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☑

As of May 2, 2023, 189,561,819 shares of the registrant's common stock, par value $0.001 per share, were outstanding.

Lexicon Pharmaceuticals, Inc.

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Factors Affecting Forward Looking Statements

This quarterly report on Form 10-Q contains forward-looking statements. These statements relate to future events or our future financial performance. We have attempted to identify forward-looking statements by terminology including "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "should" or "will" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks outlined under "Part II, Item 1A. - Risk Factors" and in our annual report on Form 10-K for the year ended December 31, 2022, that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels or activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, future results, levels of activity, performance or achievements may vary materially from our expectations. We are not undertaking any duty to update any of the forward-looking statements after the date of this quarterly report on Form 10-Q to conform these statements to actual results, unless required by law.

Part I – Financial Information

Item 1. Financial Statements

Lexicon Pharmaceuticals, Inc.

Condensed Consolidated Balance Sheets
(In thousands, except par value)

	As of March 31, 2023	As of December 31, 2022
Assets	**(unaudited)**	
Current assets:		
Cash and cash equivalents	$ 26,001	$ 46,345
Short-term investments	79,936	92,012
Accounts receivable	261	28
Prepaid expenses and other current assets	3,348	2,481
Total current assets	109,546	140,866
Property and equipment, net of accumulated depreciation and amortization of $4,096 and $3,984, respectively	2,207	2,071
Goodwill	44,543	44,543
Operating lease right-of-use-assets	6,420	6,819
Total assets	$ 162,716	$ 194,299
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 10,311	$ 10,395
Accrued liabilities	10,060	12,777
Total current liabilities	20,371	23,172
Long-term debt, net of issuance costs	48,845	48,579
Long-term operating lease liabilities	5,454	5,424
Total liabilities	74,670	77,175
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock, $0.01 par value; 5,000 shares authorized; no shares issued and outstanding	—	—
Common stock, $0.001 par value; 300,000 shares authorized; 190,430 and 189,214 shares issued, respectively	190	189
Additional paid-in capital	1,712,558	1,709,144
Accumulated deficit	(1,621,654)	(1,589,720)
Accumulated other comprehensive loss	(163)	(428)
Treasury stock, at cost, 868 and 488 shares, respectively	(2,885)	(2,061)
Total stockholders' equity	88,046	117,124
Total liabilities and stockholders' equity	$ 162,716	$ 194,299

The accompanying notes are an integral part of these condensed consolidated financial statements.

Lexicon Pharmaceuticals, Inc.

Condensed Consolidated Statements of Comprehensive Loss
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2023	**2022**
Revenues:		
Royalties and other revenue	$ 24	$ 37
Operating expenses:		
Research and development, including stock-based compensation of $1,203 and $1,032, respectively	12,026	14,926
Selling, general and administrative, including stock-based compensation of $2,212 and $1,740, respectively	19,140	8,491
Total operating expenses	31,166	23,417
Loss from operations	(31,142)	(23,380)
Interest expense	(1,821)	(110)
Interest and other income, net	1,029	14
Net loss	$ (31,934)	$ (23,476)
Net loss per common share, basic and diluted	$ (0.17)	$ (0.16)
Shares used in computing net loss per common share, basic and diluted	189,014	149,150
Other comprehensive loss:		
Unrealized gain (loss) on investments	265	(27)
Comprehensive loss	$ (31,669)	$ (23,503)

The accompanying notes are an integral part of these condensed consolidated financial statements.

Lexicon Pharmaceuticals, Inc.

Condensed Consolidated Statements of Stockholders' Equity
(In thousands)
(Unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Gain (Loss)	Treasury Stock	Total
	Shares	Par Value					
Balance at December 31, 2021	150,082	$ 150	$1,608,749	$ (1,487,776)	$ (10)	$ (7,518)	$ 113,595
Stock-based compensation	—	—	2,772	—	—	—	2,772
Issuance of equity classified warrants	—	—	698	—	—	—	698
Issuance of treasury stock	—	—	(6,321)	—	—	6,321	—
Repurchase of common stock	—	—	—	—	—	(864)	(864)
Net loss	—	—	—	(23,476)	—	—	(23,476)
Unrealized loss on investments	—	—	—	—	(27)	—	(27)
Balance at March 31, 2022	150,082	$ 150	$1,605,898	$ (1,511,252)	$ (37)	$ (2,061)	$ 92,698
Balance at December 31, 2022	189,214	$ 189	$1,709,144	$ (1,589,720)	$ (428)	$ (2,061)	$ 117,124
Stock-based compensation	—	—	3,415	—	—	—	3,415
Issuance of common stock under Equity Incentive Plans	1,216	1	(1)	—	—	—	—
Repurchase of common stock	—	—	—	—	—	(824)	(824)
Net loss	—	—	—	(31,934)	—	—	(31,934)
Unrealized gain on investments	—	—	—	—	265	—	265
Balance at March 31, 2023	190,430	$ 190	$1,712,558	$ (1,621,654)	$ (163)	$ (2,885)	$ 88,046

The accompanying notes are an integral part of these condensed consolidated financial statements.

Lexicon Pharmaceuticals, Inc.

Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2023	**2022**
Cash flows from operating activities:		
Net loss	$ (31,934)	$ (23,476)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	112	109
Stock-based compensation	3,415	2,772
Amortization of debt issuance costs	265	25
Changes in operating assets and liabilities:		
Increase in accounts receivable	(234)	(23)
(Increase) decrease in prepaid expenses and other current assets	(867)	273
Decrease in operating lease right-of-use-assets	400	207
Decrease in accounts payable and other liabilities	(2,770)	(3,308)
Net cash used in operating activities	(31,613)	(23,421)
Cash flows from investing activities:		
Purchases of property and equipment	(248)	(76)
Purchases of investments	(28,864)	(17,816)
Maturities of investments	41,205	13,484
Net cash provided by (used in) investing activities	12,093	(4,408)
Cash flows from financing activities:		
Repurchase of common stock	(824)	(864)
Proceeds from debt borrowings, net of fees	—	24,148
Net cash (used in) provided by financing activities	(824)	23,284
Net decrease in cash and cash equivalents	(20,344)	(4,545)
Cash and cash equivalents at beginning of period	46,345	64,065
Cash and cash equivalents at end of period	$ 26,001	$ 59,520
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 1,556	$ 85
Supplemental disclosure of non-cash investing and financing activities:		
Issuance of equity classified warrants	$ —	$ 698
Issuance of treasury stock	$ —	$ 6,321
Recognition of exit fee liability related to debt borrowings	$ —	$ 1,500

The accompanying notes are an integral part of these condensed consolidated financial statements.

1. Summary of Significant Accounting Policies

Basis of Presentation: The accompanying unaudited condensed consolidated financial statements of Lexicon Pharmaceuticals, Inc. ("Lexicon" or the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three-month period ended March 31, 2023 are not necessarily indicative of the results that may be expected for the year ended December 31, 2023.

The accompanying condensed consolidated financial statements include the accounts of Lexicon and its wholly-owned subsidiaries. Intercompany transactions and balances are eliminated in consolidation.

For further information, refer to the financial statements and footnotes thereto included in Lexicon's annual report on Form 10-K for the year ended December 31, 2022, as filed with the SEC.

Use of Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Cash, Cash Equivalents and Short-Term Investments: Lexicon considers all highly-liquid investments with original maturities of three months or less to be cash equivalents. As of March 31, 2023 and December 31, 2022, short-term investments consisted of U.S. treasury bills and corporate debt securities. The Company's short-term investments are classified as available-for-sale securities and are carried at fair value, based on quoted market prices of the securities. The Company views its available-for-sale securities as available for use in current operations regardless of the stated maturity date of the security. The Company does not intend to sell any of its available-for-sale securities prior to their maturity dates. Unrealized gains and losses on such securities are reported as a separate component of stockholders' equity. Net realized gains and losses, interest and dividends are included in interest income. The cost of securities sold is based on the specific identification method.

Accrued liabilities: Accrued liabilities consisted of the following:

	As of March 31, 2023	As of December 31, 2022
	(in thousands)	
Accrued research and development services	$ 3,937	$ 3,252
Accrued compensation and benefits	4,348	7,830
Short term lease liability	1,291	1,291
Other	484	404
Total accrued liabilities	$ 10,060	$ 12,777

Leases: Lexicon determines if a contract is or contains a lease at inception or upon modification of the contract. A contract is or contains a lease if it conveys the right to control the use of an identified asset for a period in exchange for consideration. Control over the use of the identified asset means the lessee has both (a) the right to obtain substantially all of the economic benefits from the use of the asset and (b) the right to direct the use of the asset. Lexicon does not apply this accounting to those leases with terms of twelve (12) months or less. Operating lease right-of-use assets and associated lease liabilities are recorded in the balance sheet at the lease commencement date based on the present value of future lease payments to be made over the expected lease term. As the implicit rate is not determinable in its leases, Lexicon used a borrowing rate ranging between 9% and 9.7% at the commencement date in determining the present value of future payments.

Revenue Recognition:

Revenues under collaborative agreements include both license revenue and contract research revenue. The Company performs the following five steps in determining the amount of revenue to recognize as its performance obligations under each of its contracts with customers: (i) identify the contract(s) with a customer; (ii) identify the performance obligation in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation in the contract, and (v) recognize revenue when (or as) we satisfy the performance obligation. The Company applies this five-step model to contracts when it is probable that the Company will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, the Company assesses the goods or services promised within each contract and determines those that are performance obligations, and assesses whether each promised good or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. The Company develops assumptions that require judgment to determine the stand-alone selling price for each performance obligation identified in the contract.

In agreements that include development milestones, the Company evaluates at contract inception whether development milestones are considered probable of being reached and estimates the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant revenue reversal will not occur, the associated development milestone value is included in the transaction price. Development milestones that are not within the control of the Company or the licensee, including those requiring regulatory approval, are not considered probable of being achieved until those milestones are achieved. The transaction price is allocated to each performance obligation on a relative stand-alone selling price basis, for which the Company recognizes revenue when (or as) the performance obligation is satisfied. At the end of each reporting period, the Company re-evaluates the probability of achievement of the development milestones and any related constraint, and if necessary, adjusts its estimates of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis, which would affect collaboration revenues in the period of adjustment.

In agreements in which a license to the Company's intellectual property is determined distinct from other performance obligations identified in the agreement, the Company recognizes revenue when the license is transferred to the licensee and the licensee is able to use and benefit from the license.

For agreements that include sales-based royalties, including milestones based on a level of sales, the license is deemed to be the predominant item to which the royalties relate and the Company recognizes revenue at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied).

The Company may receive payments from its licensees based on billing schedules established in each contract. Upfront payments and fees are recorded as deferred revenue upon receipt or when due, and may require deferral of revenue recognition to a future period until the Company performs its obligations under the relevant agreement. Amounts are recorded as accounts receivable when the Company's right to consideration is unconditional.

Research and Development Expenses: Research and development expenses consist of costs incurred for company-sponsored as well as collaborative research and development activities. These costs include direct and research-related overhead expenses and are expensed as incurred. Technology license fees for technologies that are utilized in research and development and have no alternative future use are expensed when incurred. Substantial portions of the Company's preclinical and clinical trials are performed by third-party laboratories, medical centers, contract research organizations and other vendors. For preclinical studies, the Company accrues expenses based upon estimated percentage of work completed and the contract milestones remaining. For clinical studies, expenses are accrued based upon the number of patients enrolled and the duration of the study. The Company monitors patient enrollment, the progress of clinical studies and related activities to the extent possible through internal reviews of data reported to the Company by the vendors and clinical site visits. The Company's estimates depend on the timeliness and accuracy of the data provided by the vendors regarding the status of each program and total program spending. The Company periodically evaluates the estimates to determine if adjustments are necessary or appropriate based on information it receives.

Stock-Based Compensation: The Company recognizes compensation expense in its condensed consolidated statements of comprehensive loss for share-based payments, including stock options and restricted stock units granted to employees, based on their fair values on the date of the grant, with the compensation expense recognized over the period in which an employee is required to provide service in exchange for the stock award. Stock-based compensation expense for awards without performance conditions is recognized on a straight-line basis. Stock-based compensation expense for awards with performance conditions is recognized over the period from the date the performance condition is determined to be probable of occurring through the time the applicable condition is met.

The fair value of stock options is estimated at the date of grant using the Black-Scholes method. The Black-Scholes option-pricing model requires the input of subjective assumptions. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options. For purposes of determining the fair value of stock options, the Company segregates its options into two homogeneous groups, based on exercise and post-vesting employment termination behaviors, resulting in a change in the assumptions used for expected option lives. Historical data is used to estimate the expected option life for each group. Expected volatility is based on the historical volatility in the Company's stock price.

The Company utilized the Black-Scholes valuation model for estimating the fair value of the stock option compensation granted, with the following weighted-average assumptions for stock options granted in the three months ended March 31, 2023 and 2022:

	Expected Volatility	Risk-free Interest Rate	Expected Term	Dividend Rate
March 31, 2023:				
Employees	112 %	4.1 %	4	— %
Officers and non-employee directors	98 %	3.9 %	6	— %
March 31, 2022:				
Employees	104 %	1.8 %	4	— %
Officers and non-employee directors	91 %	1.9 %	7	— %

The following is a summary of stock option activity under Lexicon's stock-based compensation plans for the three months ended March 31, 2023:

	Options	Weighted Average Exercise Price
	(in thousands)	
Outstanding at December 31, 2022	12,349	$ 5.10
Granted	5,077	2.43
Expired	(129)	14.83
Forfeited	(170)	3.65
Outstanding at March 31, 2023	17,127	4.25
Exercisable at March 31, 2023	6,877	$ 6.20

During the three months ended March 31, 2023, Lexicon granted its employees annual restricted stock units. Outstanding employee restricted stock units vest in three annual installments. The following is a summary of restricted stock units activity under Lexicon's stock-based compensation plans for the three months ended March 31, 2023:

	Shares	Weighted Average Grant Date Fair Value
	(in thousands)	
Outstanding at December 31, 2022	2,748	$ 3.78
Granted	4,070	2.43
Vested	(1,216)	3.92
Forfeited	(112)	2.94
Outstanding at March 31, 2023	5,490	$ 2.77

Net Loss per Common Share: Net loss per common share is computed using the weighted average number of shares of common stock outstanding. Shares associated with stock warrants, stock options and restricted stock units are not included because they are antidilutive.

2. Recent Accounting Pronouncements

We do not expect that any recently issued accounting pronouncements will have a material impact on our financial statements.

3. Cash and Cash Equivalents and Investments

The fair value of cash and cash equivalents and investments held at March 31, 2023 and December 31, 2022 are as follows:

	As of March 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(in thousands)			
Cash and cash equivalents	$ 26,000	$ 1	$ —	$ 26,001
Securities maturing within one year:				
U.S. treasury securities	70,894	9	(142)	70,761
Corporate debt securities	9,206	—	(31)	9,175
Total short-term investments	$ 80,100	$ 9	$ (173)	$ 79,936
Total cash and cash equivalents and investments	$ 106,100	$ 10	$ (173)	$ 105,937

	As of December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(in thousands)			
Cash and cash equivalents	$ 46,345	$ —	$ —	$ 46,345
Securities maturing within one year:				
U.S. treasury securities	74,022	—	(342)	73,680
Corporate debt securities	18,418	—	(86)	18,332
Total short-term investments	$ 92,440	$ —	$ (428)	$ 92,012
Total cash and cash equivalents and investments	$ 138,785	$ —	$ (428)	$ 138,357

There were no realized losses during either of the three month periods ended March 31, 2023 and 2022, respectively.

4. Fair Value Measurements

The Company uses various inputs in determining the fair value of its investments and measures these assets on a recurring basis. Assets and liabilities recorded at fair value in the condensed consolidated balance sheets are categorized by the level of objectivity associated with the inputs used to measure their fair value. The following levels are directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities:

- Level 1 - quoted prices in active markets for identical investments, which include U.S. treasury securities
- Level 2 - other significant observable inputs (including quoted prices for similar investments, market corroborated inputs, etc.), which includes corporate debt securities
- Level 3 - significant unobservable inputs

The inputs or methodology used for valuing securities are not necessarily an indication of the credit risk associated with investing in those securities. The following table provides the fair value measurements of applicable Company assets that are measured at fair value on a recurring basis according to the fair value levels defined above as of March 31, 2023 and December 31, 2022.

	Assets and Liabilities at Fair Value as of March 31, 2023			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Assets				
Cash and cash equivalents	$ 26,001	$ —	$ —	$ 26,001
Short-term investments	70,761	9,175	—	79,936
Total cash and cash equivalents and investments	$ 96,762	$ 9,175	$ —	$ 105,937

	Assets and Liabilities at Fair Value as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Assets				
Cash and cash equivalents	$ 46,345	$ —	$ —	$ 46,345
Short-term investments	73,680	18,332	—	92,012
Total cash and cash equivalents and investments	$ 120,025	$ 18,332	$ —	$ 138,357

The Company did not have any Level 3 assets or liabilities as of March 31, 2023 or December 31, 2022. Transfers between levels are recognized at the actual date of the circumstance that caused the transfer. There were no transfers between Level 1 and Level 2 during the periods presented.

Refer to Note 5, Debt Obligations, for fair value measurements of debt obligations.

5. Debt Obligations

Oxford Term Loans. In March 2022, Lexicon and one of its subsidiaries entered into a loan and security agreement with Oxford Finance LLC ("Oxford") that provides up to $150 million in borrowing capacity (the "Oxford Term Loans") available in four tranches, each maturing in March 2027. Monthly interest-only payments are due during an initial 36-month period, which may be extended at Lexicon's option to 48 months if Lexicon maintains compliance with financial covenants relating to net sales of sotagliflozin following regulatory approval and minimum cash balance requirements following funding of the third tranche. The interest-only period will be followed by an amortization period extending through the maturity date.

The first $25 million tranche was funded at closing. The second $25 million tranche was funded on December 30, 2022. The loan and security agreement was amended on May 1, 2023, to increase the amount available for draw under the third tranche from $50 million to $75 million and decrease the amount available for draw under the fourth tranche from $50 million to $25 million. The third tranche is available for draw at Lexicon's option prior to June 30, 2023, but within 60 days of U.S. regulatory approval of sotagliflozin for heart failure. An unused fee will be due in the event Lexicon does not draw the full amount available under the third tranche. The fourth tranche is available for draw at Lexicon's option, subject to Oxford's consent, at any time prior to the expiration of the interest-only period.

Concurrent with the funding of the first tranche, Lexicon granted Oxford a warrant to purchase 420,673 shares of Lexicon's common stock at an exercise price of $2.08 per share. Concurrent with the funding of the second tranche, Lexicon granted Oxford a warrant to purchase 224,128 shares of Lexicon's common stock at an exercise price of $1.95 per share. The loan and security agreement provides that, upon funding of the third tranche, Lexicon will grant Oxford a warrant to purchase shares of its common stock having a value equal to 0.875% of such tranche, as determined by reference to a 10-day average closing price of the shares, and having an exercise price equal to such average closing price. All warrants are exercisable for five years from their respective grant dates and feature a net cashless exercise provision. The warrants that have been issued in connection with the funding of the first and second tranches are classified as equity instruments.

The Oxford Term Loans bear interest at a floating rate equal to the 30-day U.S. Dollar LIBOR plus 7.90%, but not less than 8.01%, subject to additional interest if an event of default occurs and is continuing. As of March 31, 2023, the interest rate was 12.57%. If an event of default occurs and is continuing, Oxford may declare all amounts outstanding under the loan and security agreement to be immediately due and payable. Lexicon may prepay the Oxford Term Loans in whole at its option at any time. Any prepayment of the Oxford Term Loans is subject to prepayment fees for up to three years after the funding of each tranche of the loans. A final payment exit fee equal to 6% of the amount funded under the Oxford Term Loans is due upon prepayment or maturity, which final payment will be adjusted to 7% of the amount funded upon extension of the interest-only payment period. The final payment exit fee of $1.5 million was recorded once for each tranche as a debt discount on the funding date.

As of March 31, 2023, the balance of the debt discount was $4.2 million which offsets long-term debt on the condensed consolidated balance sheet. During the three months ended March 31, 2023, the Company recognized interest expense of $1.8 million. As of March 31, 2023, the carrying value of the Oxford Term Loans was $48.8 million. The carrying value of the Oxford Term Loans approximates its fair value, as the loans bear interest at a rate that approximates prevailing market rates for instruments with similar characteristics. The fair value of the Oxford Term Loans is determined under Level 2 in the fair value hierarchy.

Lexicon's obligations under the Oxford Term Loans are secured by a first lien security interest in all of the assets of the Company and its subsidiaries. The loan and security agreement contains certain customary representations and warranties, affirmative and negative covenants and events of default applicable to Lexicon and its subsidiaries. In addition to the financial covenants, additional covenants include those restricting dispositions, fundamental changes to its business, mergers or acquisitions, indebtedness, encumbrances, distributions, investments, transactions with affiliates and subordinated debt. The Company was in compliance with its debt covenants as of March 31, 2023.

6. Commitments and Contingencies

Operating Lease Obligations: Lexicon's operating leases include office space in The Woodlands, Texas and Bridgewater, New Jersey and will expire in August 2025 and January 2034, respectively.

As of March 31, 2023 and December 31, 2022, the right-of-use assets for the office space leases had a balance of $6.4 million and $6.8 million, respectively, which is included in operating lease right-of-use-assets in the condensed consolidated balance sheet. Current and long-term liabilities as of March 31, 2023, relating to the leases were $1.3 million and

$5.5 million, respectively, which are included in accrued liabilities and long-term operating lease liabilities in the condensed consolidated balance sheet, respectively. Current and long-term liabilities as of December 31, 2022, relating to the leases were $1.3 million and $5.4 million, respectively, which are included in accrued liabilities and long-term operating lease liabilities in the condensed consolidated balance sheet, respectively. During each of the three months ended March 31, 2023 and 2022, the Company incurred lease expense of $0.4 million.

During the three months ended March 31, 2023 and 2022, the Company made cash payments for lease liabilities of $0.1 million and $0.3 million, respectively. As of March 31, 2023 and December 31, 2022, the weighted-average remaining lease terms were 9.4 years and 9.5 years, respectively, with weighted-average discount rates of 9.6% and 9.6%, respectively.

The following table reconciles the undiscounted cash flows of the operating lease liability to the recorded lease liability at March 31, 2023:

		(in thousands)
2023	$	673
2024		1,378
2025		1,220
2026		865
2027		881
Thereafter		5,644
Total undiscounted operating lease liability		10,661
Less: amount of lease payments representing interest		(3,916)
Present value of future lease payments		6,745
Less: short-term operating lease liability		(1,291)
Long-term operating lease liability	$	5,454

Legal Proceedings.

Lexicon is from time to time party to claims and legal proceedings that arise in the normal course of its business and that it believes will not have, individually or in the aggregate, a material adverse effect on its results of operations, financial condition or liquidity.

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

Overview

We are a biopharmaceutical company with a mission of pioneering medicines that transform patients' lives. We are devoting most of our resources to the research, development and preparation for commercialization of our most advanced drug candidates:

- We have a pending NDA for sotagliflozin, an orally-delivered small molecule drug candidate, as a treatment for heart failure. The NDA is currently under review by the FDA and has been assigned a PDUFA target action date of May 27, 2023. The NDA is supported by positive results from two Phase 3 clinical trials evaluating the effect of sotagliflozin on long-term outcomes related to cardiovascular death and heart failure in approximately 10,500 and 1,200 patients, respectively. Under the NDA, we are seeking regulatory approval to market sotagliflozin to reduce the risk of cardiovascular death and hospitalization for heart failure in adults with heart failure and in adults with type 2 diabetes mellitus, chronic kidney disease and other cardiovascular risk factors. We are now preparing for the anticipated commercial launch of sotagliflozin in the United States following approval.

  We have also engaged in the development of sotagliflozin in type 1 diabetes, which was the subject of a separate NDA. That NDA was supported by positive results from three Phase 3 clinical trials evaluating the effect of sotagliflozin on type 1 diabetes in approximately 800, 800 and 1,400 patients, respectively. The FDA issued a complete response letter regarding our NDA for sotagliflozin in type 1 diabetes. At our request, the FDA has issued a public Notice of Opportunity for Hearing on whether there are grounds for denying approval of our NDA and the hearing process is ongoing.

- We are developing LX9211, an orally-delivered small molecule drug candidate, as a treatment for neuropathic pain. We have reported positive results from a Phase 2 clinical trial of LX9211 in diabetic peripheral neuropathic pain. We have reported top-line results from a separate Phase 2 clinical trial of LX9211 in post-herpetic neuralgia which demonstrated clear evidence of effect. LX9211 has received Fast Track designation from the FDA for development in diabetic peripheral neuropathic pain.

- We are conducting preclinical research and development and preparing to conduct clinical development of compounds from a number of additional drug programs originating from our internal drug discovery efforts.

Sotagliflozin and compounds from a number of additional drug programs originated from our own internal drug discovery efforts, and LX9211 originated from our collaborative neuroscience drug discovery efforts with Bristol-Myers Squibb. Our efforts were driven by a systematic, target biology-driven approach in which we used gene knockout technologies and an integrated platform of advanced medical technologies to systematically study the physiological and behavioral functions of almost 5,000 genes in mice and assessed the utility of the proteins encoded by the corresponding human genes as potential drug targets. We have identified and validated in living animals, or in vivo, more than 100 targets with promising profiles for drug discovery.

We are working both independently and through collaborations and strategic alliances with third parties to capitalize on our drug target discoveries and drug discovery and development programs. We seek to retain exclusive or co-exclusive rights to the benefits of certain drug discovery and development programs by developing and commercializing drug candidates from those programs internally, particularly in the United States for indications treated by specialist physicians. We seek to collaborate with other pharmaceutical and biotechnology companies with respect to drug discovery or the development and commercialization of certain of our drug candidates, particularly with respect to commercialization in territories outside the United States or commercialization in the United States for indications treated by primary care physicians, or when the collaboration may otherwise provide us with access to expertise and resources that we do not possess internally or are complementary to our own.

We have derived substantially all of our revenues from strategic collaborations and other research and development collaborations and technology licenses, as well as from commercial sales of our XERMELO product following its commercial launch in February 2017 until our sale of XERMELO and related assets to TerSera Therapeutics, LLC in September 2020. To date, we have generated a substantial portion of our revenues from a limited number of sources.

Our operating results and, in particular, our ability to generate additional revenues are dependent on many factors, including the success of our planned commercial launch of sotagliflozin in the United States for heart failure, if approved; the success of our ongoing nonclinical and clinical development efforts and the ability to obtain necessary regulatory approvals of the drug candidates which are the subject of such efforts; our success in establishing new collaborations and licenses and our

receipt of milestones, royalties and other payments under such arrangements; and general and industry-specific economic conditions which may affect research, development and commercialization expenditures.

Our ability to secure future revenue-generating agreements will depend upon our ability to address the needs of our potential future collaborators and licensees, and to negotiate agreements that we believe are in our long-term best interests. We may determine, as we have with certain of our drug candidates, that our interests are better served by retaining rights to our discoveries and advancing our therapeutic programs to a later stage, which could limit our near-term revenues and increase expenses. Because of these and other factors, our operating results have fluctuated in the past and are likely to do so in the future, and we do not believe that period-to-period comparisons of our operating results are a good indication of our future performance.

Since our inception, we have incurred significant losses and, as of March 31, 2023, we had an accumulated deficit of $1.6 billion. Our losses have resulted principally from costs incurred in research and development, selling, general and administrative costs associated with our operations, and non-cash stock-based compensation expenses associated with stock options and restricted stock units granted to employees and consultants. Research and development expenses consist primarily of salaries and related personnel costs, external research costs related to our nonclinical and clinical efforts, material costs, facility costs, depreciation on property and equipment, and other expenses related to our drug discovery and development programs. Selling, general and administrative expenses consist primarily of salaries and related expenses for executive, sales and marketing, and administrative personnel, professional fees and other corporate expenses, including information technology, facilities costs and general legal activities. We expect to continue to incur significant research and development costs in connection with the continuing research and development of our drug candidates. As a result, we will need to generate significantly higher revenues to achieve profitability.

Critical Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make judgments, estimates and assumptions in the preparation of our condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates. We believe there have been no significant changes in our critical accounting policies as discussed in our Annual Report on Form 10-K for the year ended December 31, 2022.

Results of Operations

Research and Development Expenses

Research and development expenses and dollar and percentage changes as compared to the corresponding period in the prior year are as follows (dollar amounts are presented in millions):

	Three Months Ended March 31,	
	2023	2022
Total research and development expense	$ 12.0	$ 14.9
Dollar decrease	$ (2.9)	
Percentage decrease	(19)%	

Research and development expenses consist primarily of third-party and other services principally related to nonclinical and clinical development activities, salaries and other personnel-related expenses, stock-based compensation expense, and facility and equipment costs.

- *Third-party and other services* – Third-party and other services for the three months ended March 31, 2023 decreased 42% to $5.5 million as compared to the corresponding period in 2022 primarily due to decreases in external research development costs and professional and consulting fees relating to preparations for the submission of our application for regulatory approval to market sotagliflozin in the United States for heart failure. Third-party and other services relate principally to our clinical trial and related development activities, such as nonclinical and clinical studies and contract manufacturing.

- *Personnel* – Personnel costs for the three months ended March 31, 2023 increased 24% to $4.0 million as compared to the corresponding period in 2022, primarily due to higher employee salaries and benefit costs as a result of increasing headcount. Salaries, bonuses, employee benefits, payroll taxes, recruiting and relocation costs are included in personnel costs.

- *Stock-based compensation* – Stock-based compensation expenses for the three months ended March 31, 2023 increased 17% to $1.2 million as compared to the corresponding period in 2022, primarily due to increased headcount.

- *Facilities and equipment* – Facilities and equipment costs for the three months ended March 31, 2023 and 2022 were $0.4 million and $0.3 million, respectively.

- *Other* – Other costs for each of the three months ended March 31, 2023 and 2022 were $1.0 million.

Selling, General and Administrative Expenses

Selling, general and administrative expenses and dollar and percentage changes as compared to the corresponding period in the prior year are as follows (dollar amounts are presented in millions):

	Three Months Ended March 31,	
	2023	2022
Total selling, general and administrative expense	$ 19.1	$ 8.5
Dollar increase	$ 10.6	
Percentage increase	124 %	

Selling, general and administrative expenses consist primarily of personnel costs to support our research and development activities, professional and consulting fees, stock-based compensation expense, and facility and equipment costs.

- *Professional and consulting fees* – Professional and consulting fees for the three months ended March 31, 2023 increased 213% to $7.1 million as compared to the corresponding period in 2022, primarily due to higher marketing and professional fees.

- *Personnel* – Personnel costs for the three months ended March 31, 2023 increased 131% to $7.7 million as compared to the corresponding period in 2022, primarily due to higher employee salaries and benefit costs as a result of increasing headcount during 2023 in preparation for commercialization of sotagliflozin. Salaries, bonuses, employee benefits, payroll taxes, recruiting and relocation costs are included in personnel costs.

- *Stock-based compensation* – Stock-based compensation expenses for the three months ended March 31, 2023 increased 27% to $2.2 million as compared to the corresponding period in 2022 due to increasing headcount in the current period.

- *Facilities and equipment* – Facilities and equipment costs for the three months ended March 31, 2023 and 2022 were $0.4 million and $0.3 million, respectively.

- *Other* – Other costs for the three months ended March 31, 2023 increased to $1.7 million from $0.9 million in the corresponding period in 2022, primarily due to travel, training and software licenses in preparation for commercialization of sotagliflozin.

Interest Expense and Interest and Other Income, Net

Interest Expense. Interest expense was $1.8 million during the three months ended March 31, 2023, due to the Oxford debt financings during March and December of 2022.

Interest and Other Income (Expense), Net. Interest and other income, net increased to $1.0 million during the three months ended March 31, 2023 from the corresponding period in 2022.

Net Loss and Net Loss per Common Share

Net loss and Net loss per Common Share. Net loss was $31.9 million, or $0.17 per share, in the three months ended March 31, 2023 as compared to a net loss of $23.5 million, or $0.16 per share, in the corresponding period in 2022.

Our quarterly operating results have fluctuated in the past and are likely to do so in the future, and we believe that quarter-to-quarter comparisons of our operating results are not a good indication of our future performance.

Liquidity and Capital Resources

We have financed our operations from inception primarily through sales of common and preferred stock, contract and milestone payments we received under our collaborations and strategic licenses, target validation, database subscription and technology license agreements, product sales, government grants and contracts, and financing under debt and lease arrangements, as well as from commercial sales of our XERMELO product following its commercial launch in February 2017 until our sale of XERMELO and related assets to TerSera Therapeutics, LLC in September 2020. In March 2022, we entered into a loan and security agreement with Oxford Finance LLC that provides up to $150 million in borrowing capacity, available in four tranches, under which $50 million has been funded.

As of March 31, 2023, we had $105.9 million in cash, cash equivalents and short-term investments. As of December 31, 2022, we had $138.4 million in cash, cash equivalents and short-term investments. We used cash of $31.6 million from operations in the three months ended March 31, 2023. This consisted primarily of the net loss for the period of $31.9 million and a net decrease in operating liabilities net of assets of $3.5 million, partially offset by non-cash charges of $3.4 million related to stock-based compensation expense. Investing activities provided cash of $12.1 million in the three months ended March 31, 2023, primarily due to net maturities of investments. Financing activities used cash of $0.8 million to repurchase common stock in satisfaction of tax withholding obligations of recipients of vested restricted stock units granted under our 2017 Equity Incentive Plan with respect to the vesting of such restricted stock units.

Other commitments. In January 2021, sotagliflozin was approved in the United Kingdom for use as an adjunct to insulin therapy to improve glycemic control in adults with type 1 diabetes and a body mass index ≥ 27 kg/m2, who could not achieve adequate glycemic control despite optimal insulin therapy. Upon the achievement of certain European regulatory approvals, we will be required to make certain royalty payments, totaling $4.5 million, in three equal annual installments of $1.5 million.

Under our drug discovery alliance with Bristol-Myers Squibb, we will be required to make a milestone payment of $5 million upon dosing of the first patient in a Phase 3 clinical trial of LX9211.

Facilities. In February 2021, we leased a 25,000 square-foot office space in The Woodlands, Texas. The term of the sublease extends from March 1, 2021 through August 31, 2025, and provides for escalating yearly base rent payments starting at $506,000 and increasing to $557,000 in the final year of the lease.

In July 2022, our subsidiary, Lexicon Pharmaceuticals (New Jersey), Inc., leased a 22,000 square-foot office space in Bridgewater, New Jersey. The term of the lease extends from February 2023 through January 2034 and provides for escalating yearly base rent payments starting at $820,000 and increasing to $986,000 in the final year of the lease.

Our future capital requirements will be substantial and will depend on many factors, including the success of our planned commercial launch of sotagliflozin in heart failure, if approved; the success of our ongoing nonclinical and clinical development efforts and the ability to obtain necessary regulatory approvals of the drug candidates which are the subject of such efforts; our success in establishing new collaborations and licenses and our receipt of milestones, royalties and other payments under such arrangements; the amount and timing of our research, development and commercialization expenditures; the resources we devote to developing and supporting our products and other factors. Our capital requirements will also be affected by any expenditures we make in connection with license agreements and acquisitions of and investments in complementary technologies and businesses. We expect to continue to devote substantial capital resources to prepare for the commercialization of sotagliflozin, if approved; to successfully complete our nonclinical and clinical development efforts with respect to sotagliflozin, LX9211 and our other drug candidates; and for other general corporate activities. We believe that our current unrestricted cash and investment balances and cash and revenues we expect to derive from strategic and other collaborations and other sources will be sufficient to fund our currently planned operations for at least the next 12 months from the date of this report. During or after this period, if cash generated by operations is insufficient to satisfy our liquidity requirements, we will need to sell additional equity or debt securities or obtain additional credit arrangements. If we are unable to obtain adequate financing when needed, we may have to delay or reduce the scope of one or more of our clinical trials, or research and development programs. Additional financing may not be available on terms acceptable to us or at all. The sale of additional equity or convertible debt securities may result in additional dilution to our stockholders.

From time to time, our board of directors may authorize us to repurchase shares of our common stock. If and when our board of directors should determine to authorize any such action, it would be on terms and under market conditions that our board of directors determines are in the best interest of us and our stockholders. Any such actions could deplete significant amounts of our cash resources and/or result in additional dilution to our stockholders.

Disclosure about Market Risk

We are exposed to limited market and credit risk on our cash equivalents which have maturities of three months or less at the time of purchase. We maintain a short-term investment portfolio which consists of U.S. Treasury bills and corporate debt securities that mature three to 12 months from the time of purchase, which we believe are subject to limited market and credit risk. We currently do not hedge interest rate exposure or hold any derivative financial instruments in our investment portfolio.

We had approximately $105.9 million in cash and cash equivalents and short-term investments as of March 31, 2023. We believe that the working capital available to us will be sufficient to meet our cash requirements for at least the next 12 months. We are subject to interest rate sensitivity on our outstanding Oxford Term Loans as they contain a floating rate tied to the 30-day LIBOR rate. The Oxford Term Loans interest is payable in cash monthly and matures in March 2027, unless earlier repaid in accordance with their terms.

We have operated primarily in the United States and substantially all sales to date have been made in U.S. dollars. Accordingly, we have not had any material exposure to foreign currency rate fluctuations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

See "Disclosure about Market Risk" under "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" for quantitative and qualitative disclosures about market risk.

Item 4. Controls and Procedures

Our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are effective to ensure that the information required to be disclosed by us in the reports we file under the Securities Exchange Act is gathered, analyzed and disclosed with adequate timeliness, accuracy and completeness, based on an evaluation of such controls and procedures as of the end of the period covered by this report. There were no changes in our internal control over financial reporting during the three months ended March 31, 2023 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

We are from time to time party to claims and legal proceedings that arise in the normal course of our business and that we believe will not have, individually or in the aggregate, a material adverse effect on our results of operations, financial condition or liquidity.

Item 1A. Risk Factors

The following risks and uncertainties are important factors that could cause actual results or events to differ materially from those indicated by forward-looking statements. The factors described below are not the only ones we face and additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations.

Risks Related to Our Business and Industry

- We depend heavily on our ability to obtain regulatory approval in the United States for sotagliflozin in heart failure. If we fail to obtain such regulatory approval, our business will suffer and our stock price will likely decline.
- If approved, we will depend heavily on the commercial success of sotagliflozin in heart failure. If we do not achieve commercial success with sotagliflozin, our business will suffer and our stock price will likely decline.
- Clinical testing of our drug candidates in humans is an inherently risky and time-consuming process that may fail to demonstrate safety and efficacy, which could result in the delay, limitation or prevention of regulatory approval.
- Our drug candidates are subject to a lengthy and uncertain regulatory process that may not result in the necessary regulatory approvals, which could adversely affect our and our collaborators' ability to commercialize products.
- The commercial success of any products that we or our collaborators may develop will depend upon the degree of market acceptance among physicians, patients, health care payers and the medical community.
- If we are unable to establish an effective sales force, marketing infrastructure and distribution capabilities, we will not be able to successfully commercialize any products that we or our collaborators may develop.
- If we are unable to maintain adequate coverage and reimbursement from third-party payers for any products that we or our collaborators may develop, our revenues and prospects for profitability will suffer.
- We may not be able to manufacture products that we or our collaborators may develop in commercial quantities, which would impair our ability to commercialize such products.
- We and our collaborators are subject to extensive and rigorous ongoing regulation relating to any products that we or our collaborators may develop.
- We are subject to certain healthcare laws, regulation and enforcement; our failure to comply with those laws could have a material adverse effect on our results of operations and financial condition.
- Current healthcare laws and regulations and future legislative or regulatory reforms to the healthcare system may negatively affect our revenues and prospects for profitability.
- Our competitors may develop products that impair the value of any products that we or our collaborators may develop.
- The outbreak of the novel coronavirus, or COVID-19, has had an adverse impact on our business operations and clinical trials and it could continue to adversely affect our business in the future.

Risks Related to Our Capital Requirements and Financial Results

- We will need additional capital in the future and, if it is unavailable, we will be forced to delay, reduce or eliminate our research and development programs. If additional capital is not available on reasonable terms, we will be forced to obtain funds, if at all, by entering into financing agreements on unattractive terms.

- We do not have sufficient capital to support a full Phase 3 development program for LX9211 in neuropathic pain. If we are unable to establish a strategic collaboration or other arrangement for that purpose, our capital needs will be substantially higher and we may be unable to obtain financing sufficient to fund Phase 3 development of LX9211 in neuropathic pain on acceptable terms, or at all, and may be required to reduce the scope of any such Phase 3 development program.

- We have a history of net losses, and we expect to continue to incur net losses and may not achieve or maintain profitability.

- Our operating results have fluctuated and likely will continue to fluctuate, and we believe that period-to-period comparisons of our operating results are not a good indication of our future performance.

- We have substantial indebtedness that may limit cash flow available to invest in the ongoing needs of our business.

- If we do not effectively manage our affirmative and restrictive covenants under the Oxford Term Loans, our financial condition and results of operations could be adversely affected.

Risks Related to Our Relationships with Third Parties

- We depend on our ability to establish collaborations with pharmaceutical and biotechnology companies for the development and commercialization of our drug candidates. If we are unable to establish such collaborations, or if pharmaceutical products are not successfully and timely developed and commercialized under such collaborations, our opportunities to generate revenues from our other drug candidates will be greatly reduced.

- Conflicts with our collaborators could jeopardize the success of our collaborative agreements and harm our product development efforts.

- We rely on third parties to carry out our nonclinical studies and clinical trials, which may harm or delay our research and development efforts.

- We lack the capability to manufacture materials for nonclinical studies and clinical trials and commercial supplies for any products which gain regulatory approval. Our reliance on third parties to manufacture our drug candidates may harm or delay our research, development and commercialization efforts.

Risks Related to Our Intellectual Property

- If we are unable to adequately protect our intellectual property, third parties may be able to use our products and technologies, which could adversely affect our ability to compete in the market.

- We may be involved in patent litigation and other disputes regarding intellectual property rights and may require licenses from third parties for our planned nonclinical and clinical development and commercialization activities. We may not prevail in any such litigation or other dispute or be able to obtain required licenses.

- Data breaches and cyber-attacks could compromise our intellectual property or other sensitive information and cause significant damage to our business, reputational harm and financial loss.

- We may be subject to damages resulting from claims that we, our employees or independent contractors have wrongfully used or disclosed alleged trade secrets of their former employers.

Risks Related to Our Employees and Facilities

- If we are unable to manage our growth, our business, financial condition, results of operations and prospects may be adversely affected.

- The loss of key personnel or the inability to attract and retain additional personnel could impair our ability to operate and expand our operations.

- Our facilities are located near coastal zones, and the occurrence of a hurricane or other disaster could damage our facilities and equipment, which could harm our operations.

Risks Related to Environmental and Product Liability

- We have used hazardous chemicals and radioactive and biological substances in our business. Any claims relating to improper handling, storage or disposal of these substances could be time consuming and costly.

- Our business has a substantial risk of product liability and we face potential product liability exposure far in excess of our limited insurance coverage.

Risks Related to Our Common Stock

- Invus, L.P. and its affiliates own a controlling interest in our outstanding common stock and may have interests which conflict with those of our other stockholders.

- Invus has additional rights under its stockholders' agreement relating to the membership of our board of directors and under our certificate of incorporation relating to preemptive and consent rights, which provide Invus with substantial influence over significant corporate matters.

- Our stock price may be extremely volatile.

- Future issuances or sales of our common stock, or the perception that such issuances or sales may occur, may depress our stock price.

- If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

For additional discussion of the risks and uncertainties that affect our business, see "Item 1A. Risk Factors" included in our annual report on Form 10-K for the year ended December 31, 2022 as filed with the Securities and Exchange Commission.

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

The following table provides information about our purchases of shares of our common stock during the three months ended March 31, 2023:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs [3]
January 1-31, 2023	—	$ —	—	—
February 1-28, 2023	379,768 [1]	$ 2.17 [2]	—	—
March 1-31, 2023	—	$ —	—	—

(1) Represents shares retained by us in satisfaction of the tax withholding obligations of recipients of restricted stock units granted in February 2020, February 2021 and February 2022 under our 2017 Equity Incentive Plan with respect to the vesting of such restricted stock units.

(2) Represents the market price of our common stock on the date of vesting of such restricted stock units, calculated in accordance with the process for determination of fair market value under our 2017 Equity Incentive Plan.

(3) In the future, we may grant additional equity securities under our 2017 Equity Incentive Plan for which the recipient's tax withholding obligations with respect to the grant or vesting of such securities may be satisfied by our retention of a portion of such securities. Further, for any such equity securities which are subject to vesting conditions, the number of equity securities which we may retain in satisfaction of the recipient's tax withholding obligations may be dependent on the continued employment of such recipient or other performance-based conditions. Accordingly, we cannot predict with any certainty either the total amount of equity securities or the approximate dollar value of such securities that we may purchase in future years.

Item 6. Exhibits

Exhibit No.		Description
10.1	—	2017 Equity Incentive Plan, as amended (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated April 27, 2023 and incorporated by reference herein).
10.2	—	2017 Non-Employee Directors' Equity Incentive Plan, as amended (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K dated April 27, 2023 and incorporated by reference herein).
†10.3	—	Second Amendment to Loan and Security Agreement, dated May 1, 2023, with Oxford Finance, LLC (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated May 1, 2023 and incorporated by reference herein).
*31.1	—	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31.2	—	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*32.1	—	Certification of Principal Executive and Principal Financial Officers Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	—	XBRL Instance Document
101.SCH	—	XBRL Taxonomy Extension Schema Document
101.CAL	—	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	—	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	—	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	—	XBRL Taxonomy Extension Presentation Linkbase Document
104	—	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

† In accordance with Item 601(b)(2)(ii) of Regulation S-K, certain information (indicated by "[**]") has been excluded from this exhibit because it is both not material and would likely cause competitive harm to the Company if publicly disclosed.

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.

Lexicon Pharmaceuticals, Inc.

Date: May 4, 2023

By: /s/ Lonnel Coats
Lonnel Coats
Chief Executive Officer

Date: May 4, 2023

By: /s/ Jeffrey L. Wade
Jeffrey L. Wade
President and Chief Financial Officer

Exhibit 31.1

CERTIFICATIONS

I, Lonnel Coats, certify that:

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

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

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

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

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

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

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

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

5. The registrant's other certifying officers 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: May 4, 2023

/s/ Lonnel Coats

Lonnel Coats

Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Jeffrey L. Wade, certify that:

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

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

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

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

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

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

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

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

5. The registrant's other certifying officers 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: May 4, 2023

/s/ Jeffrey L. Wade

Jeffrey L. Wade

President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350, as adopted), Lonnel Coats, Principal Executive Officer of Lexicon Pharmaceuticals, Inc. ("Lexicon"), and Jeffrey L. Wade, Principal Financial Officer of Lexicon, each hereby certify that:

1. Lexicon's Quarterly Report on Form 10-Q for the period ended March 31, 2023, and to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934, and

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

IN WITNESS WHEREOF, the undersigned have set their hands hereto as of the 4th day of May, 2023.

By: /s/ Lonnel Coats
Lonnel Coats
Chief Executive Officer

By: /s/ Jeffrey L. Wade
Jeffrey L. Wade
President and Chief Financial Officer