

Small Public Biotechs and Costs of Compliance with Sarbanes- Oxley Section 404(b)

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Background on the Biotechnology Industry

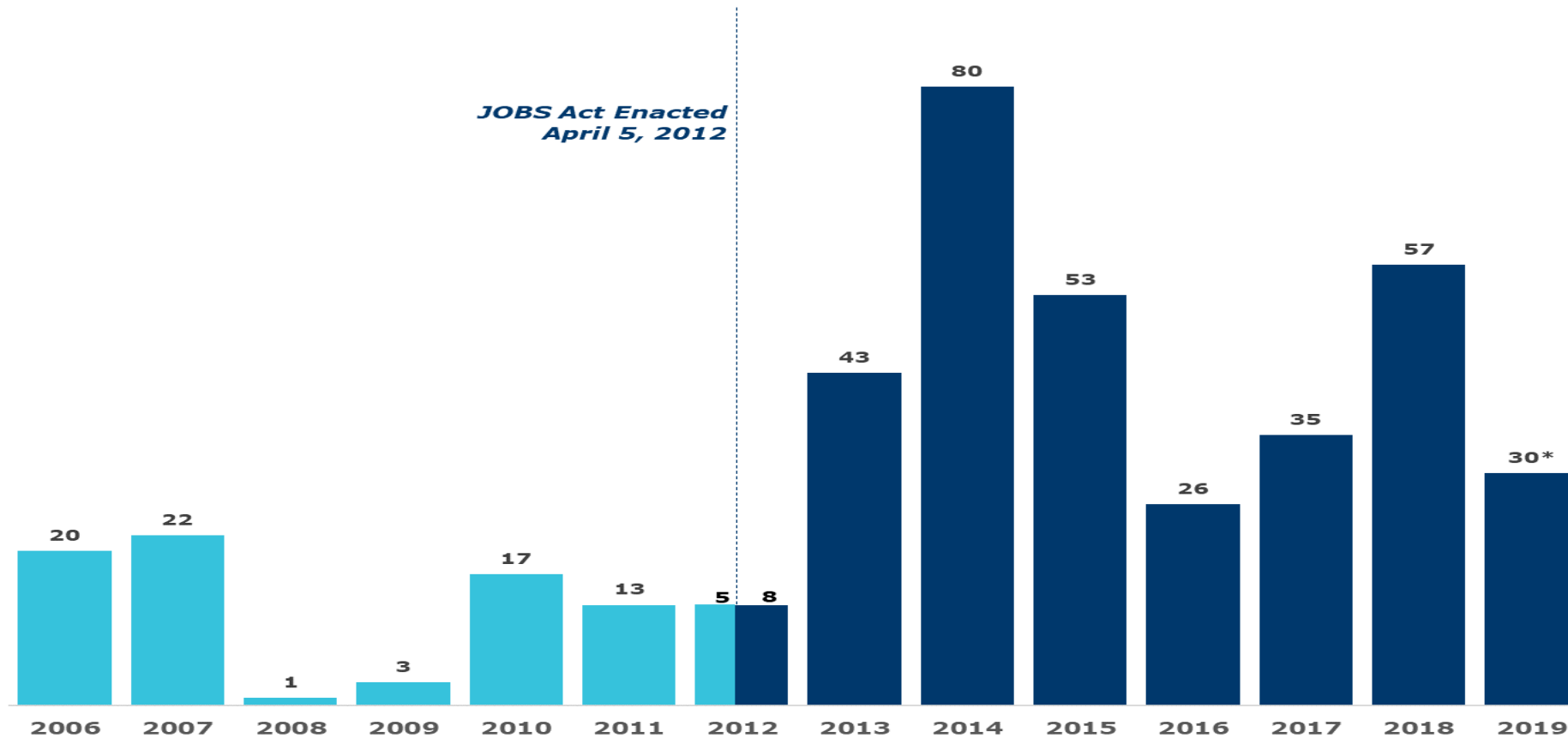
- Vast majority of biotechs are pre-revenue
- Average biotech development timeline is 10 to 15 years before generating product revenue
- Average cost of bringing a product to market is \$2.6 billion

Background on the Biotechnology Industry (cont)

- Ardelyx, Inc. is a clinical stage, pre-commercial, specialized biopharmaceutical company focused on developing first-in-class medicines to improve treatment choices for people with cardiorenal diseases
- Ardelyx went public in 2014 as an emerging growth company (EGC)

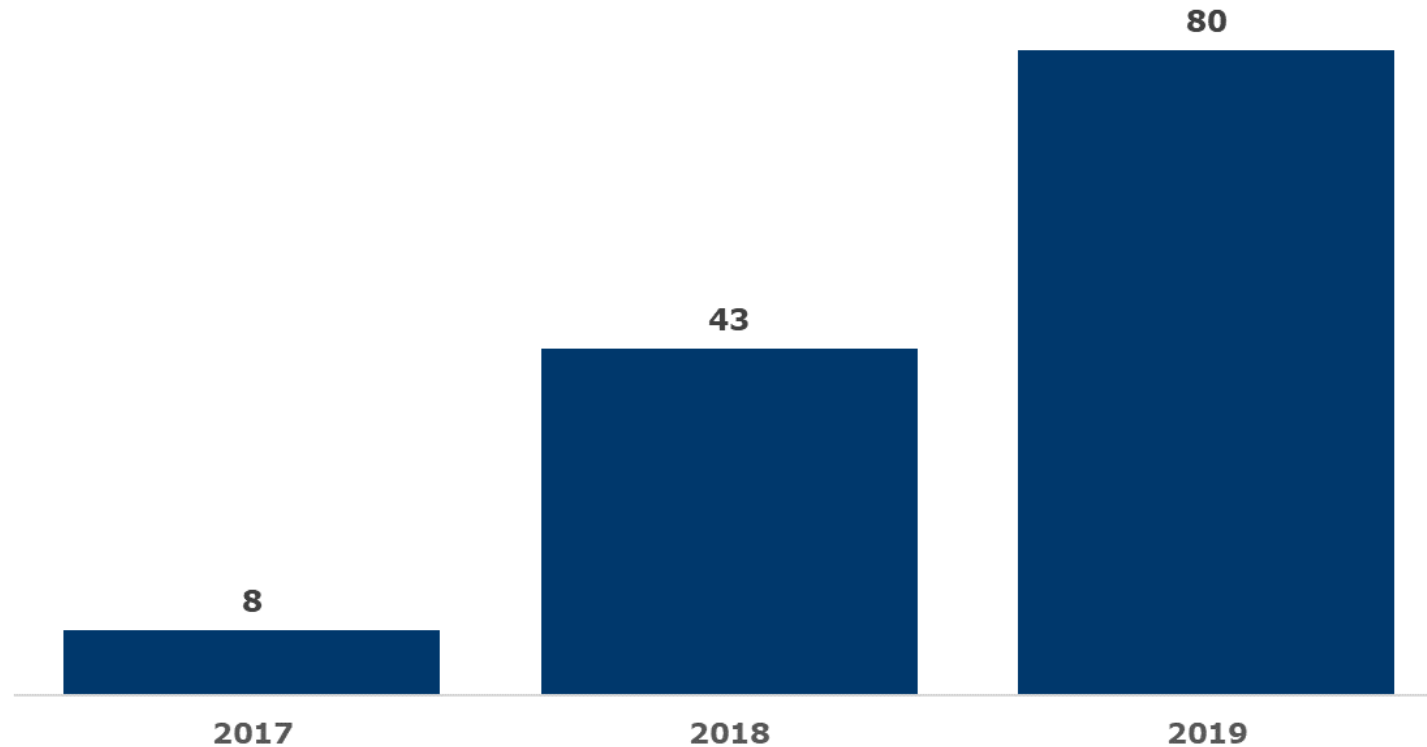
Background on Biotech and the JOBS Act

Biotech IPOs Per Year, 2006 - 2019



IPO On-Ramp Ending for Growing Number of Biotechs

No. of Biotechs Subject to SOX 404(b) Phase-In



Science or Compliance?

- **SOX 404(b) compliance costs Biotech EGCs an average of over \$800,000 per year**
- Biotech investors are focused on the science behind the company
- Investors could demand 404(b) compliance but do not

SEC's Proposed Rule

- Expansion of SOX 404(b) relief for companies until they exceed \$700 million in public float or \$100 million in revenue is a welcomed step forward to making our public capital markets more accessible and attractive to small companies
- In the biotech industry, it is common for companies with few employees and simple corporate structures to have high valuations