UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2022

OR

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

For the transition period from to

Commission File Number: 001-35518

SUPERNUS PHARMACEUTICALS, INC.
(Exact name of registrant as specified in its charter)

Delaware			**20-2590184**
(State or other jurisdiction of incorporation or organization)			(I.R.S. Employer Identification No.)
9715 Key West Avenue	**Rockville**	**MD**	**20850**
(Address of principal executive offices)			(Zip Code)

(301) 838-2500
(Registrant's telephone number, including area code)

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 pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☒ Yes No ☐

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

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

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

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

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

Title of each class	**Outstanding at August 1, 2022**	**Trading Symbol**	**Name of each exchange on which registered**
Common Stock, $0.001 par value per share	53,495,261	SUPN	The Nasdaq Global Market

SUPERNUS PHARMACEUTICALS, INC.
FORM 10-Q — QUARTERLY REPORT
FOR THE QUARTERLY PERIOD ENDED June 30, 2022

PART I — FINANCIAL INFORMATION

Supernus Pharmaceuticals, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except share data)

	June 30, 2022 (unaudited)	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	$ 173,428	$ 203,434
Marketable securities	187,359	136,246
Accounts receivable, net	158,063	148,932
Inventories, net	84,860	85,959
Prepaid expenses and other current assets	21,410	27,019
Total current assets	625,120	601,590
Long-term marketable securities	147,373	119,166
Property and equipment, net	16,317	16,955
Intangible assets, net	743,405	784,693
Goodwill	115,414	117,516
Other assets	47,344	49,232
Total assets	$ 1,694,973	$ 1,689,152
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 133,000	$ 117,683
Accrued product returns and rebates	145,761	132,724
Contingent consideration, current portion	47,240	44,840
Convertible notes, net	400,909	—
Other current liabilities	8,626	20,132
Total current liabilities	735,536	315,379
Convertible notes, net	—	379,252
Contingent consideration, long-term	9,645	35,637
Operating lease liabilities, long-term	37,080	41,298
Deferred income tax liabilities	59,313	85,355
Other liabilities	11,965	16,380
Total liabilities	853,539	873,301
Stockholders' equity		
Common stock, $0.001 par value; 130,000,000 shares authorized; 53,492,386 and 53,256,094 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	53	53
Additional paid-in capital	389,586	434,337
Accumulated other comprehensive earnings (loss), net of tax	(2,220)	1,539
Retained earnings	454,015	379,922
Total stockholders' equity	841,434	815,851
Total liabilities and stockholders' equity	$ 1,694,973	$ 1,689,152

See accompanying notes.

Supernus Pharmaceuticals, Inc.
Condensed Consolidated Statements of Earnings
(in thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(unaudited)		(unaudited)	
Revenues				
Net product sales	$ 165,459	$ 138,628	$ 312,923	$ 267,009
Royalty revenues	4,592	2,701	9,634	5,252
Total revenues	170,051	141,329	322,557	272,261
Costs and expenses				
Cost of goods sold [(a)]	20,457	25,028	38,389	39,982
Research and development	16,385	15,455	37,224	49,735
Selling, general and administrative	100,476	69,535	190,935	130,992
Amortization of intangible assets	20,644	5,948	41,288	11,955
Contingent consideration expense (gain)	743	(8,750)	1,408	(7,730)
Total costs and expenses	158,705	107,216	309,244	224,934
Operating earnings	11,346	34,113	13,313	47,327
Other income (expense)				
Interest expense	(1,810)	(5,467)	(3,752)	(11,564)
Interest and other income, net	1,788	2,589	16,486	6,401
Total other income (expense)	(22)	(2,878)	12,734	(5,163)
Earnings before income taxes	11,324	31,235	26,047	42,164
Income tax (benefit) expense	3,459	7,509	(7,434)	12,744
Net earnings	$ 7,865	$ 23,726	$ 33,481	$ 29,420
Earnings per share				
Basic	$ 0.15	$ 0.45	$ 0.63	$ 0.56
Diluted	$ 0.14	$ 0.43	$ 0.57	$ 0.54
Weighted average shares outstanding				
Basic	53,426,163	53,005,344	53,378,319	52,985,472
Diluted	61,397,159	54,724,146	61,401,694	54,601,533

[(a)] Excludes amortization of acquired intangible assets

See accompanying notes.

Supernus Pharmaceuticals, Inc.
Condensed Consolidated Statements of Comprehensive Earnings
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(unaudited)		(unaudited)	
Net earnings	$ 7,865	$ 23,726	$ 33,481	$ 29,420
Other comprehensive earnings				
Unrealized loss on marketable securities, net of tax	(1,447)	(816)	(3,759)	(3,542)
Other comprehensive loss	(1,447)	(816)	(3,759)	(3,542)
Comprehensive earnings	$ 6,418	$ 22,910	$ 29,722	$ 25,878

See accompanying notes.

Supernus Pharmaceuticals, Inc.
Condensed Consolidated Statements of Changes in Stockholders' Equity
(unaudited, in thousands, except share data)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Earnings (Loss)	Retained Earnings	Total Stockholders' Equity
	Shares	Amount				
Balance, December 31, 2021	53,256,094	$ 53	$ 434,337	$ 1,539	$ 379,922	$ 815,851
Cumulative effect of adoption of ASU 2020-06	—	—	(56,212)	—	40,612	(15,600)
Balance, January 1, 2022	53,256,094	53	378,125	1,539	420,534	800,251
Share-based compensation	—	—	4,025	—	—	4,025
Issuance of common stock in connection with the Company's equity award plans	130,211	—	866	—	—	866
Net earnings	—	—	—	—	25,616	25,616
Unrealized loss on marketable securities, net of tax	—	—	—	(2,312)	—	(2,312)
Balance, March 31, 2022	53,386,305	53	383,016	(773)	446,150	828,446
Share-based compensation	—	—	4,297	—	—	4,297
Issuance of common stock in connection with the Company's equity award plans	106,081	—	2,273	—	—	2,273
Net earnings	—	—	—	—	7,865	7,865
Unrealized loss on marketable securities, net of tax	—	—	—	(1,447)	—	(1,447)
Balance, June 30, 2022	53,492,386	$ 53	$ 389,586	$ (2,220)	$ 454,015	$ 841,434

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Earnings (Loss)	Retained Earnings	Total Stockholders' Equity
	Shares	Amount				
Balance, December 31, 2020	52,868,482	$ 53	$ 409,332	$ 8,975	$ 326,498	$ 744,858
Share-based compensation	—	—	4,371	—	—	4,371
Issuance of common stock in connection with the Company's equity award plans	125,655	—	2,247	—	—	2,247
Net earnings	—	—	—	—	5,694	5,694
Unrealized loss on marketable securities, net of tax	—	—	—	(2,726)	—	(2,726)
Balance, March 31, 2021	52,994,137	53	415,950	6,249	332,192	754,444
Share-based compensation	—	—	5,476	—	—	5,476
Issuance of common stock in connection with the Company's equity award plans	150,622	—	2,749	—	—	2,749
Net earnings	—	—	—	—	23,726	23,726
Unrealized loss on marketable securities, net of tax	—	—	—	(816)	—	(816)
Balance, June 30, 2021	53,144,759	$ 53	$ 424,175	$ 5,433	$ 355,918	$ 785,579

See accompanying notes.

Supernus Pharmaceuticals, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)

	Six Months Ended June 30,	
	2022	2021
	(unaudited)	
Cash flows from operating activities		
Net earnings	$ 33,481	$ 29,420
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	42,919	13,213
Navitor investment R&D expense (see Note 5)	—	15,000
Other income from Navitor (see Note 5)	(12,888)	—
Amortization of deferred financing costs and debt discount	1,053	8,632
Realized gains from sales of marketable securities	(13)	(219)
Amortization of premium/discount on marketable securities	1,068	(2,371)
Change in fair value of contingent consideration	1,408	(7,730)
Other noncash adjustments, net	(1,187)	(651)
Share-based compensation expense	8,322	9,847
Deferred income tax provision	(16,057)	(2,046)
Changes in operating assets and liabilities:		
Accounts receivable	(9,093)	3,605
Inventories	1,842	(7,950)
Prepaid expenses and other assets	1,866	(18,003)
Accrued product returns and rebates	13,037	47,406
Accounts payable and other liabilities	11,763	(5,679)
Contingent consideration	(2,100)	—
Net cash provided by operating activities	75,421	82,474
Cash flows from investing activities		
Purchases of marketable securities	(206,503)	(233,272)
Sales and maturities of marketable securities	121,112	83,844
Purchase of property and equipment and deferred legal fees paid	(275)	(1,961)
Acquisition of USWM, net of cash acquired	—	(950)
Net cash used in investing activities	(85,666)	(152,339)
Cash flows from financing activities		
Payment of contingent consideration	(22,900)	—
Proceeds from issuance of common stock	3,139	4,996
Net cash (used in) provided by financing activities	(19,761)	4,996
Net change in cash and cash equivalents	(30,006)	(64,869)
Cash and cash equivalents at beginning of year	203,434	288,640
Cash and cash equivalents at end of period	$ 173,428	$ 223,771
Supplemental cash flow information		
Cash paid for interest on convertible notes	$ 1,258	$ 1,258
Cash paid for income taxes	8,543	20,696
Cash paid for operating leases	6,238	4,036
Noncash investing and financing activities		
Lease assets obtained for new operating leases	$ 212	$ 284
Property and equipment additions from utilization of tenant improvement allowance	580	—

See accompanying notes.

Supernus Pharmaceuticals, Inc.
Notes to Condensed Consolidated Financial Statements (unaudited)

1. Business Organization

Supernus Pharmaceuticals, Inc. (the Company) is a biopharmaceutical company focused on developing and commercializing products for the treatment of central nervous system (CNS) diseases. The Company's diverse neuroscience portfolio includes approved treatments for epilepsy, migraine, attention-deficit hyperactivity disorder (ADHD), hypomobility in Parkinson's Disease (PD), cervical dystonia, chronic sialorrhea, dyskinesia in PD patients receiving levodopa-based therapy, and drug-induced extrapyramidal reactions in adult patients. The Company is developing a broad range of novel CNS product candidates including new potential treatments for hypomobility in PD, epilepsy, depression, and other CNS disorders.

Commercial Products

- Trokendi XR® (topiramate) is the first once-daily extended-release topiramate product indicated for the treatment of epilepsy in patients 6 years of age and older in the United States (U.S.) market. It is also indicated for the prophylaxis of migraine headache in adults and adolescents 12 years and older.
- Oxtellar XR® (oxcarbazepine) is indicated as therapy for the treatment of partial onset seizures in patients 6 years of age and older. It is also the first once-daily extended-release oxcarbazepine product indicated for the treatment of epilepsy in the U.S.
- Qelbree® (viloxazine extended-release capsules) is a novel non-stimulant product indicated for the treatment of ADHD in adults and pediatric patients 6 years and older. On April 2, 2021, the U.S. Food and Drug Administration (FDA) approved Qelbree for the treatment of ADHD in pediatric patients 6 to 17 years of age. In May 2021, the Company launched Qelbree for pediatric patients in the U.S. On April 29, 2022, the FDA approved Qelbree for treatment of ADHD in adult patients. The Company launched Qelbree for adult patients in May 2022.
- GOCOVRI® (amantadine) extended-release capsules is the first and only FDA approved medicine indicated for the treatment of dyskinesia in patients with PD receiving levodopa-based therapy, with or without concomitant dopaminergic medications, and as an adjunctive treatment to levodopa/carbidopa with PD experiencing "off" episodes.
- APOKYN® (apomorphine hydrochloride injection) is a product indicated for the acute, intermittent treatment of hypomobility, "off" episodes ("end-of-dose wearing off" and unpredictable "on/off" episodes) in patients with advanced PD.
- XADAGO® (safinamide) is a once-daily product indicated as adjunctive treatment to levodopa/carbidopa in patients with PD experiencing "off" episodes.
- Osmolex ER® (amantadine) extended-release is a once-daily product for the treatment of PD and drug-induced extrapyramidal reactions in adult patients.
- MYOBLOC® (rimabotulinumtoxinB injection) is a product indicated for the treatment of cervical dystonia and chronic sialorrhea in adults. It is the only botulinum toxin type B available on the market.

Product Candidates

The Company is also developing a pipeline of novel CNS product candidates for the treatment of various CNS conditions. The Company's product candidates in clinical development include the following:

- SPN-830 (apomorphine infusion device) is a late-stage drug/device combination product candidate for the continuous treatment of motor fluctuations ("off" episodes) in PD patients that are not adequately controlled with oral levodopa and one or more adjunct PD medications. The FDA assigned a Prescription Drug User Fee Act (PDUFA) date in early October 2022 on the resubmitted new drug application (NDA).
- SPN-820 (NV-5138) is a first-in-class product candidate for treatment-resistant depression, currently in Phase II development. It is an orally active small molecule that directly activates brain mechanistic target of rapamycin complex 1 (mTORC1).
- SPN-817 (huperzine A) is a novel product candidate for treatment-resistant seizures, currently in Phase I development.

Adamas Acquisition and Reorganization

On October 10, 2021, the Company entered into an Agreement and Plan of Merger by and among the Company, Adamas Pharmaceuticals, Inc. (Adamas) and Supernus Reef, Inc., a Delaware corporation and a wholly owned subsidiary of the Company (Purchaser) (Adamas Agreement). On November 24, 2021 (the Closing Date), the Company completed its purchase of all of the outstanding equity of Adamas Pharmaceuticals, Inc., a publicly-held pharmaceutical company (Adamas), pursuant to the Adamas Agreement dated October 10, 2021, and the Purchaser was merged with and into Adamas (the Merger), with Adamas continuing as the surviving corporation in the Merger as a wholly owned subsidiary of the Company (Adamas Acquisition). On the Closing Date, Adamas owned two marketed products: GOCOVRI (amantadine) extended-release capsules, the first and only FDA approved medicine indicated for the treatment of both "off" episodes and dyskinesia in patients with PD receiving levodopa-based therapy and as an adjunctive treatment to levodopa/carbidopa in patients with PD experiencing "off" episodes; and Osmolex ER (amantadine) extended-release tablets, approved for the treatment of PD and drug-induced extrapyramidal reactions in adult patients. Adamas also owns the right to receive royalties from Allergan plc for sales of Namzaric (memantine hydrochloride extended-release and donepezil hydrochloride) in the U.S.

In the first quarter of 2022 and subsequent to the Adamas Acquisition, the Company completed a reorganization of the Adamas legal entities in an effort to obtain operational, legal and other benefits that also resulted in certain state tax efficiencies. The reorganization had no effect on the condensed consolidated financial statements other than certain state tax efficiencies. (See Note 12, *Income Tax (Benefit) Expense.*)

COVID-19 Impact

The Company is closely monitoring the impact of the COVID-19 pandemic on all aspects of its business operations and has assessed the impact of the COVID-19 pandemic on its condensed consolidated financial statements as of June 30, 2022.

Since the situation surrounding the COVID-19 pandemic remains fluid and the duration uncertain, the long-term nature and extent of the impacts of the pandemic on the Company's business operations and financial position cannot be reasonably estimated at this time.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Company’s unaudited condensed consolidated financial statements have been prepared in accordance with the requirements of the U.S. Securities and Exchange Commission (SEC) for interim financial information. As permitted under Generally Accepted Accounting Principles in the United States (U.S. GAAP), certain notes and other information have been omitted from the interim unaudited condensed consolidated financial statements presented in this Quarterly Report on Form 10-Q. Therefore, these condensed consolidated financial statements should be read in conjunction with the Company’s most recent Annual Report on Form 10-K, for the year ended December 31, 2021, filed with the SEC.

In management’s opinion, the condensed consolidated financial statements include all normal and recurring adjustments necessary for a fair presentation of the Company’s financial position, results of operations, and cash flows. The results of operations for any interim period are not necessarily indicative of the Company’s future quarterly or annual results.

The Company, which is primarily located in the U.S., operates in one operating segment.

Consolidation

The Company's condensed consolidated financial statements include the accounts of Supernus Pharmaceuticals, Inc. and its wholly owned subsidiaries. These are collectively referred to herein as "Supernus" or "the Company." All significant intercompany transactions and balances have been eliminated in consolidation.

The consolidated financial statements reflect the consolidation of entities in which the Company has a controlling financial interest. In determining whether there is a controlling financial interest, the Company considers if it has a majority of the voting interests of the entity, or if the entity is a variable interest entity (VIE) and if the Company is the primary beneficiary. In determining the primary beneficiary of a VIE, the Company evaluates whether it has both: the power to direct the activities of the VIE that most significantly impact the VIE's economic performance; and the obligation to absorb losses of, or the right to receive benefits from the VIE that could potentially be significant to that VIE. The Company's judgment with respect to its level of influence or control of an entity involves the consideration of various factors, including the form of an ownership interest; representation in the entity's governance; the size of the investment; estimates of future cash flows; the ability to participate in policymaking decisions; and the rights of the other investors to participate in the decision making process, including the right to

liquidate the entity, if applicable. If the Company is not the primary beneficiary of the VIE, and an ownership interest is maintained in the entity, the interest is accounted for under the equity or cost methods of accounting, as appropriate.

The Company continuously assesses whether it is the primary beneficiary of a VIE as changes to existing relationships or future transactions may affect its conclusions.

Use of Estimates

The Company bases its estimates on: historical experience; forecasts; information received from its service providers; information from other sources, including public and proprietary sources; and other assumptions that the Company believes are reasonable under the circumstances. Actual results could differ materially from the Company's estimates. The Company periodically evaluates the methodologies employed in making its estimates.

The extent to which the COVID-19 pandemic may directly or indirectly impact our business, financial condition and results of operations is highly uncertain and subject to change. As a result, certain of our estimates and assumptions, including the provision for sales deductions and the fair values of our financial instruments, require increased judgment and carry a higher degree of variability and volatility that could result in material changes to our estimates in future periods.

Advertising Expense

Advertising expense includes the cost of promotional materials and activities, such as television, print media, digital marketing, marketing programs and speaker programs. The cost of the Company's advertising efforts are expensed as incurred.

The Company incurred approximately $36.9 million and $60.8 million in advertising expense for the three and six months ended June 30, 2022, respectively, and approximately $21.8 million and $37.1 million for the three and six months ended June 30, 2021, respectively. These expenses are recorded as a component of *Selling, general and administrative expenses* in the condensed consolidated statements of earnings.

Recently Issued Accounting Pronouncements

Accounting Pronouncements Adopted

Accounting Standards Update (ASU) 2020-06, *Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40)*: *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity* - The new standard, issued in August 2020, simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible debt instruments with cash conversion and beneficial conversion features. ASU 2020-06 eliminates requirements to separately account for liability and equity components of such convertible debt instruments and eliminates the ability to use the treasury stock method for calculating diluted earnings per share for convertible instruments whose principal amount may be settled in whole or in part with equity. Instead, ASU 2020-06 requires (i) the entire amount of the security to be presented as a liability on the balance sheet and (ii) application of the "if-converted" method for calculating diluted earnings per share. This new standard also removes certain settlement conditions required for equity contracts to qualify for the derivative scope exception.

The Company adopted the new guidance as of January 1, 2022 using the modified retrospective method of transition which allows for a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. As a result, the cumulative effect of the accounting change increased the carrying amount of the convertible notes, net by $20.6 million, increased retained earnings by $40.6 million, reduced additional paid-in capital by $56.2 million, and decreased deferred tax liabilities by $5.0 million as of January 1, 2022. In addition, the Company had an increase of 6.8 million in dilutive shares included in diluted weighted average shares of common stock outstanding for the purposes of calculating diluted earnings per share under the if-converted method.

ASU 2021-10, *Government Assistance (Topic 832)* - The new standard, issued in November 2021, requires the disclosure of information about transactions with a government that are accounted for by applying a grant or contribution model by analogy. This could include various forms of government assistance, but excludes transactions in the scope of specific U.S. GAAP, such as tax incentives accounted for under Accounting Standards Codification (ASC) 740, *Income Taxes*. For transactions in the scope of the new standard, information about the nature of the transaction, including significant terms and conditions, as well as the amounts and specific financial statement line items affected by the transaction are required to be disclosed. This guidance is effective for fiscal years beginning after December 15, 2021 on a prospective basis. The adoption of the new standard as of January 1, 2022 did not have a material impact to the financial statements.

3. Acquisition

Adamas Acquisition

In connection with the Adamas Acquisition (see Note 1), the Company paid the Adamas shareholders $400.8 million and transferred two non-tradable contingent value rights (CVRs). Each CVR represents the contractual right to receive a contingent payment of $0.50 per share in cash, less any applicable withholding taxes and without interest, upon the achievement of the applicable milestone (each such amount, a Milestone Payment) in accordance with the terms of a Contingent Value Rights Agreement entered into between the Company and American Stock Transfer & Trust Company, LLC, as rights agent, (CVR Agreement). One Milestone Payment is payable (subject to certain terms and conditions) upon the first occurrence of the achievement of aggregate worldwide net sales of GOCOVRI in excess of $150 million during any consecutive 12-month period ending on or before December 31, 2024 (Milestone 2024). Another Milestone Payment is payable (subject to certain terms and conditions) upon the first occurrence of the achievement of aggregate worldwide net sales of GOCOVRI in excess of $225 million during any consecutive 12-month period ending on or before December 31, 2025 (Milestone 2025 and, together with Milestone 2024, the Milestones). Each Milestone may only be achieved once.

In connection with the two CVRs, the Company recorded contingent consideration liabilities of $10.3 million as of the date of the acquisition, to reflect the estimated fair value of the contingent consideration. The estimated fair values of the contingent consideration liabilities were determined using Monte Carlo simulations. The fair value measurements of the contingent consideration liabilities were determined based on significant unobservable inputs and thus represent Level 3 fair value measurements. The key assumptions considered include the estimated amount and timing of projected revenues, volatility, estimated discount rates and the risk-free interest rate. In each reporting period after the acquisition, the Company will revalue the contingent consideration liabilities and will record increases or decreases in the fair value of the liabilities in its consolidated statements of earnings. Changes in fair value will result from actual milestone achievement, as well as changes to forecasts. The inputs and assumptions may not be observable in the market, but they reflect the assumptions the Company believes would be made by a market participant. The possible outcomes for the contingent consideration range from $0 to $50.9 million on an undiscounted basis.

The acquisition was accounted for as a business combination under the acquisition method of accounting, in accordance with ASC 805, *Business Combinations*. The excess of the purchase price over the fair value of the net assets acquired was recorded as goodwill. The estimated fair values of the assets acquired and liabilities assumed, including goodwill, have been included in the Company's consolidated financial statements since the acquisition Closing Date.

The Company's accounting for the Adamas Acquisition is preliminary and fair value estimates for the assets acquired and liabilities assumed and the Company's estimates and assumptions are subject to change as the Company obtains additional information for its estimates during the measurement period. During the measurement period, if the Company obtains new information regarding facts and circumstances that existed as of the Closing Date that, if known, would have resulted in revised estimated values of those assets or liabilities, the Company will accordingly revise its estimates of fair values and purchase price allocation. The effect of measurement period adjustments on the estimated fair value elements will be reflected as if the adjustments had been made as of the Closing Date. The impact of all changes that do not qualify as measurement period adjustments will be included in current period earnings.

The Company expects to finalize its purchase price allocation within one year of the Closing Date. In addition, the Company continues to analyze and assess relevant information necessary to determine, recognize and record at fair value the assets acquired and liabilities assumed in the following areas: intangible assets, lease assets and liabilities, tax assets and liabilities, and certain existing or potential reserves, including those for legal or contract-related matters. The activities the Company is currently undertaking include, but are not limited to, the following: review of acquired contracts and other contract-related and legal matters; review and evaluation of the accounting policies, tax positions, and other tax-related matters. Further, the Company continues to obtain input from third party valuation firms with respect to the fair value of the acquired tangible and intangible assets, and other information necessary to record and measure the assets acquired and liabilities assumed. Accordingly, the preliminary recognition and measurement of assets acquired and liabilities assumed as of the Closing Date are subject to change.

The following table presents the Company's preliminary estimates of the fair value of assets acquired and liabilities assumed as of the Closing Date and subsequent measurement period adjustments recorded (dollars in thousands):

	As Initially Reported	Measurement Period Adjustments [1]	As Adjusted
		(unaudited)	(unaudited)
Cash and cash equivalents	$ 90,064	$ —	$ 90,064
Accounts receivable	11,156	—	11,156
Inventories	20,200	—	20,200
Prepaid expenses and other current assets	5,077	—	5,077
Property and equipment	1,254	—	1,254
Intangibles	450,100	—	450,100
Other assets[2]	6,442	(1,620)	4,822
Total fair value of assets acquired	584,293	(1,620)	582,673
Accounts payable	(4,592)	—	(4,592)
Accrued expenses and other current liabilities	(8,014)	—	(8,014)
Current debt	(138,315)	—	(138,315)
Operating lease liabilities, long-term	(5,224)	—	(5,224)
Deferred income tax liabilities[2][3]	(56,588)	3,722	(52,866)
Total fair value of liabilities assumed	(212,733)	3,722	(209,011)
Total identifiable net assets	371,560	2,102	373,662
Goodwill	39,553	(2,102)	37,451
Total purchase price	$ 411,113	$ —	$ 411,113
Cash consideration paid	$ 400,806	$ —	$ 400,806
Fair value of contingent consideration	10,307	—	10,307
Total purchase price	$ 411,113	$ —	$ 411,113

[1] Measurement period adjustments reflect changes for the three months ended March 31, 2022 based on information related to the facts and circumstances that existed as of the Closing Date.
[2] Refinement of the estimate of fair value of the right of use asset associated with the acquired Adamas headquarters lease. Refer to Note 13, *Leases*.
[3] Represents tax impact of the changes in the initial estimate of the fair value of the right of use asset and changes made to update certain state tax attributes which existed at the opening balance sheet date.

Acquired Inventory

The estimated fair value of the inventory was determined using the comparative sales method, which estimated the expected sales price of the product, reduced by all costs expected to be incurred to complete or dispose of the inventory, as well as a profit on the sale.

Acquired Intangible Assets

The acquired intangible assets include the acquired developed technology and product rights to GOCOVRI and Osmolex ER, as well as the right to receive royalties from Allergan plc for sales of Namzaric. The Company determined the estimated fair values for the acquired intangible assets as of the Closing Date using the income approach. This is a valuation technique that provides an estimate of fair value of the assets, based on the market participant's expectations of the cash flows that the assets are forecasted to generate. The cash flows were discounted at a rate commensurate with the level of risk associated with its projected cash flows. The Company believes the assumptions are representative of those a market participant would use in estimating fair value.

The fair value measurements of the acquired intangible assets were determined based on significant unobservable inputs and thus represent Level 3 fair value measurement. Some of the more significant inputs and assumptions used in the intangible assets valuation includes: the estimated future cash flows from product sales, the timing and projection of costs and expenses, discount rates and tax rates.

Acquired intangible assets consist of developed technology and product rights and are amortized over their estimated useful lives on a straight-line basis. The following table summarizes the preliminary purchase price allocation and the average remaining useful lives for identifiable intangible assets (dollars in thousands):

	Estimated Fair Value	Estimated Useful Life as of Closing Date (in years)
Acquired developed technology and product rights	$ 450,100	3.1 - 8.1

Goodwill

Goodwill was calculated as the excess of the consideration transferred over the net assets recognized and represents the future economic benefits arising from the other assets acquired that could not be individually identified and separately recognized. Goodwill is primarily attributable to the anticipated cost synergies, additional growth platforms, and an expanded revenue base with the addition of the assets from the Adamas Acquisition. The goodwill is not expected to be deductible for tax purposes.

Acquired Deferred Income Tax Liabilities, net

The deferred income tax liabilities, net relates to the difference between the financial statement carrying amount and the tax basis of acquired intangible assets and inventory, partially offset by acquired net operating loss carryforwards and other temporary differences. The acquired federal and state net operating loss carryforwards are reduced by a valuation allowance for amounts that are not expected to be realizable in the future.

Revenue and Net Earnings of Adamas

The operations of Adamas and its subsidiaries have been included in the Company's consolidated statements of earnings for the periods subsequent to the Closing Date.

Pro Forma Information

The following table presents the unaudited pro forma combined financial information for each of the periods presented, as if the Adamas Acquisition had occurred on January 1, 2020 (dollars in thousands):

	Three Months Ended June 30,	Six Months Ended June 30,
	2021	2021
Pro forma total revenues	$ 163,301	$ 313,544
Pro forma net loss	(2,043)	(22,352)

The unaudited pro forma combined financial information is based on historical financial information and the Company's preliminary allocation of purchase price; therefore, it is subject to subsequent adjustment upon finalization of the purchase price allocation. In order to reflect the occurrence of the acquisition on January 1, 2020, the unaudited pro forma combined financial information reflects the recognition of additional amortization expense on intangible assets and estimated additional cost of products sold related to the inventory step-up adjustment; the estimated reduction in the Company's interest income generated from marketable securities that were liquidated to fund the purchase price of the Adamas Acquisition, and the estimated tax impact of the pro forma adjustments.

The unaudited pro forma combined financial information should not necessarily be considered indicative of the results that would have occurred if the acquisition had been consummated on the assumed completion date, nor are they indicative of future results.

4. Disaggregated Revenues

The following table summarizes the disaggregation of revenues by product or source (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(unaudited)		(unaudited)	
Net product sales				
Trokendi XR	$ 71,602	$ 78,777	$ 134,434	$ 150,596
Oxtellar XR	29,958	25,022	57,479	52,392
GOCOVRI	24,700	—	47,301	—
APOKYN	20,447	26,981	38,895	48,711
Qelbree	11,099	315	19,382	315
Other[1]	7,653	7,533	15,432	14,995
Total net product sales	$ 165,459	$ 138,628	$ 312,923	$ 267,009
Royalty revenues	4,592	2,701	9,634	5,252
Total revenues	$ 170,051	$ 141,329	$ 322,557	$ 272,261

[1] Includes net product sales of MYOBLOC, XADAGO and Osmolex ER.

Trokendi XR accounted for 43% of the Company's total net product sales for both the three and six months ended June 30, 2022, and approximately 57% and 56% of the Company's total net product sales for the three and six months ended June 30, 2021, respectively.

Each of our three major customers, AmerisourceBergen Drug Corporation, Cardinal Health, Inc. and McKesson Corporation, individually accounted for more than 25% of our total net product sales for both the six months ended June 30, 2022 and 2021, and collectively accounted for more than 80% and 85% of our total net product sales for the six months ended June 30, 2022 and 2021, respectively.

Royalty revenues include noncash royalty revenues. The Company recognized noncash royalty revenue of $2.5 million and $4.7 million, for the three and six months ended June 30, 2022, respectively. The Company recognized noncash royalty revenue of $2.2 million and $4.4 million, for the three and six months ended June 30, 2021, respectively. Refer to Note 16, *Commitments and Contingencies*.

5. Investments

Marketable Securities

Unrestricted available-for-sale marketable securities held by the Company are as follows (dollars in thousands):

	June 30, 2022	December 31, 2021
	(unaudited)	
Corporate and U.S. government agency and municipal debt securities		
Amortized cost	$ 337,637	$ 253,301
Gross unrealized gains	61	2,349
Gross unrealized losses	(2,966)	(238)
Total fair value	$ 334,732	$ 255,412

The contractual maturities of the unrestricted available-for-sale marketable securities held by the Company are as follows, (dollars in thousands):

	June 30, 2022 (unaudited)
Less than 1 year	$ 187,359
1 year to 2 years	118,457
2 years to 3 years	28,916
3 years to 4 years	—
Greater than 4 years	—
Total	$ 334,732

As of June 30, 2022, there was no impairment due to credit loss on any available-for-sale marketable securities.

Investment in Navitor

Development Agreement

In April 2020, the Company entered into a development agreement (the Development Agreement) with Navitor Pharmaceuticals, Inc. (Navitor Inc.). The Company can terminate the Development Agreement upon 30 days' notice. Under the terms of the Development Agreement, the Company and Navitor Inc. will jointly conduct a Phase II clinical program for NV-5138 (SPN-820) for treatment-resistant depression. The Company will bear all of the Phase I and Phase II development costs incurred by either party, up to a maximum of $50 million. In addition, the Company will incur certain other research and development support costs. There are certain additional payment amounts which could be incurred by the Company. These costs are contingent upon Navitor Inc. achieving defined development milestones. The Company has an option to acquire or license NV-5138 (SPN-820), for which additional payments would be required.

Equity investment

In addition to entering into the Development Agreement in April 2020, the Company acquired Series D Preferred Shares of Navitor Inc. for $15 million, representing an approximately 13% ownership position in Navitor Inc.

In March 2021, Navitor Inc. underwent a legal restructuring. In the restructuring, Navitor Inc. became a wholly owned subsidiary of a newly formed limited liability company, Navitor Pharmaceuticals LLC (Navitor LLC), and the outstanding shares of stock in Navitor Inc. were exchanged for units of membership in Navitor LLC having equivalent rights and preferences (Navitor Restructuring). As part of the Navitor Restructuring, the Series D Preferred Shares previously held by the Company were exchanged for Series D Preferred Shares in Navitor LLC. In addition, certain assets that did not relate to NV-5138 (SPN-820) were transferred from Navitor Inc. to a newly formed entity that became a separate, wholly owned subsidiary of Navitor LLC.

The Company had determined that Navitor LLC is a VIE. The Company does not consolidate this VIE because the Company lacks the power to direct the activities that most significantly impact Navitor’s economic performance.

Prior to the Navitor Restructuring, the investment was accounted for under the practical expedient allowed for equity securities without readily determinable fair value, which is cost minus impairment plus any changes in observable price changes from an orderly transaction of similar investments in Navitor Inc. Following the legal restructuring and exchange of the preferred shares for member equity units of Navitor LLC, the investment was accounted for under the equity method of accounting due to the Company's ability to exert significant influence over but not control the financial and operating decisions of Navitor LLC. As a result of the change from a cost method investment to an equity method investment, the Company was required to measure its investment initially in accordance with the guidance in ASC 805. The majority of the assets and liabilities recorded in Navitor LLC's financial statements represent working capital items and cash that are being used for research and development purposes and are significantly lower than the Company's investment in Navitor LLC, which created a significant basis difference for the Company's investment in the underlying net assets. The Company determined that substantially all of the fair value of the investment was attributable to a single in-process research and development (IPR&D) asset. As a result, Navitor LLC was not considered a business as defined in ASC 805. In the first quarter of 2021, the $15 million investment, which was previously recorded in *Other assets* in the condensed consolidated balance sheets, was expensed and recorded in *Research and development expense* in the condensed consolidated statements of earnings.

The Company records its share of the results of Navitor LLC, a private company, on a quarter lag as the financial information of Navitor LLC is not available on a sufficiently timely basis for the Company to apply the equity method of accounting. In December 2021, Navitor LLC sold one of its subsidiaries and distributed cash to its members in accordance with each member's share of the proceeds from the sale. The Company received $12.9 million in December 2021 from Navitor LLC in connection with this sale. As the Company's policy is to record its share of the results in its equity method investment on a quarter lag as previously indicated, the Company recorded the cash amount received in *Other current liabilities* in the consolidated balance sheets as of December 31, 2021. In the first quarter of 2022, the Company determined its estimated share of Navitor LLC's year-end 2021 earnings and recorded a gain of $12.9 million in *Interest and other income, net* in the condensed consolidated statement of earnings.

The maximum exposure to losses related to Navitor LLC is approximately $50 million for Phase I and Phase II development of NV-5138 (SPN-820), and the cost of other development and formulation activities provided by the Company.

Subsequent to the Development Agreement entered into in 2020, no additional equity investment has been made or financing has been provided to Navitor LLC.

6. Fair Value of Financial Instruments

The fair value of an asset or liability represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between unrelated market participants.

The Company reports the fair value of assets and liabilities using a three level measurement hierarchy that prioritizes the inputs used to measure fair value. The fair value hierarchy consists of the following three levels:

- Level 1—Valuations based on unadjusted quoted prices in active markets that are accessible at measurement date for identical assets.
- Level 2—Valuations based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and model-based valuations in which all significant inputs are observable in the market, either directly or indirectly (e.g., interest rates; yield curves).
- Level 3—Valuations using significant inputs that are unobservable in the market and inputs that reflect the Company’s own assumptions. These are based on the best information available, including the Company’s own data.

The fair value of the restricted marketable securities which are classified as Level 2 financial assets are recorded in *Other assets* on the condensed consolidated balance sheets. There have been no transfers of assets or liabilities into or out of Level 3 of the fair value hierarchy.

Financial Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The Company's financial assets and liabilities that are required to be measured at fair value on a recurring basis are as follows (dollars in thousands):

	Total Fair Value at June 30, 2022	Fair Value Measurements at June 30, 2022 (unaudited)		
		Level 1	Level 2	Level 3
Assets:	(unaudited)			
Cash and cash equivalents				
Cash	$ 135,199	$ 135,199	$ —	$ —
Money market securities and commercial paper	38,229	25,785	12,444	—
Marketable securities				
Corporate and municipal debt securities	187,359	—	187,359	—
Long-term marketable securities				
Corporate and municipal debt securities	147,373	—	147,373	—
Other assets				
Marketable securities - restricted (SERP)	478	9	469	—
Total assets at fair value	$ 508,638	$ 160,993	$ 347,645	$ —
Liabilities:				
Contingent consideration	$ 56,885	$ —	$ —	$ 56,885
Total liabilities at fair value	$ 56,885	$ —	$ —	$ 56,885

	Total Fair Value at December 31, 2021	Fair Value Measurements at December 31, 2021		
		Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents				
Cash	$ 148,863	$ 148,863	$ —	$ —
Money market securities and funds	54,571	54,571	—	—
Marketable securities				
Corporate and municipal debt securities	136,246	251	135,995	—
Long-term marketable securities				
Corporate and municipal debt securities	119,166	—	119,166	—
Other assets				
Marketable securities - restricted (SERP)	630	7	623	—
Total assets at fair value	$ 459,476	$ 203,692	$ 255,784	$ —
Liabilities:				
Contingent consideration	$ 80,477	$ —	$ —	$ 80,477
Total liabilities at fair value	$ 80,477	$ —	$ —	$ 80,477

Other Financial Instruments

The carrying amounts of other financial instruments, including accounts receivable, accounts payable, and accrued expenses, approximate fair value due to their short-term maturities.

Financial Liabilities Recorded at Carrying Value

The following table sets forth the carrying value and fair value of the Company's financial liabilities that are not carried at fair value (dollars in thousands):

	June 30, 2022 (unaudited)		December 31, 2021	
	Carrying Value	Fair Value (Level 2)	Carrying Value	Fair Value (Level 2)
2023 Notes	$ 400,909	$ 390,425	$ 379,252	$ 400,236

The fair value has been estimated based on actual trading information, and quoted prices, both provided by bond traders. As discussed in Note 2, the Company adopted ASU 2020-06 on January 1, 2022 using the modified retrospective method of transition resulting in an increase in the carrying amount of the debt by $20.6 million as of the adoption date. Refer to Note 2, *Summary of Significant Accounting Policies*, for further discussion of the accounting standard adoption.

7. Contingent Consideration

The Company's contingent consideration liabilities are related to the USWM Acquisition (as defined below) and the Adamas Acquisition. The contingent consideration liabilities are measured at fair value on a recurring basis using either a Monte Carlo simulation or the income approach. The Company classifies its contingent consideration liabilities as Level 3 fair value measurements based on the significant unobservable inputs used to estimate fair value. These reflect the inputs and assumptions the Company believes would be made by market participants. Changes in any of those inputs together or in isolation may result in significantly lower or higher fair value measurement.

USWM Contingent Consideration

On June 9, 2020 (the USWM Closing Date), the Company completed its acquisition of all the outstanding equity of USWM Enterprises, LLC (USWM Enterprises) (USWM Acquisition). The USWM Acquisition included potential additional contingent consideration payments of up to $230 million comprised of the following:

- Regulatory and developmental milestones - gross contingent consideration of up to $130 million contingent upon achievement of regulatory and developmental milestones.

  This includes a $25 million milestone due upon the FDA acceptance of the SPN-830 NDA for review, which was paid in the first quarter of 2022. This milestone payment is reported under both financing and operating activities in the condensed consolidated statements of cash flows. Of the $25 million payment, $22.9 million represents the acquisition date fair value of the contingent consideration liability and was reported under cash flows from financing activities. The remaining $2.1 million represents the excess of the acquisition date fair value and was reported under cash flows from operating activities.

  The remaining $105 million is comprised of amounts due upon achievement of certain FDA's regulatory approval and commercial launch of SPN-830. This includes a $50 million milestone which has a time-based mechanism for full or partial payment. Based on timing of the PDUFA date of SPN-830 NDA, this $50 million milestone will not be achieved. The remaining $55 million relates to the FDA's approval of the SPN-830 NDA and the subsequent commercial product launch.

- Sales-based milestones consist of gross contingent consideration payments of up to $100 million related to future sales performance of the acquired USWM products. Of the $100 million sales-based contingent consideration, a $35 million milestone due upon the achievement of certain U.S. net product sales of APOKYN in 2021 was not achieved. The remaining $65 million relates to the achievement of certain net product sales of the acquired USWM products in 2022 and 2023.

The change in fair value is reported on the condensed consolidated statement of earnings in *Contingent consideration expense (gain)*. The key assumptions considered in estimating the fair value include the estimated probability and timing of milestone achievement, such as the probability and timing of obtaining regulatory approval, discount rate, the estimated revenue volatility and the estimated amount and timing of projected revenues from the acquired USWM products.

The Company recorded a $0.3 million expense and a $2.1 million expense due to the change in fair value of the contingent consideration liabilities for the USWM milestones for the three and six months ended June 30, 2022, respectively. The change in the fair value of contingent consideration for USWM milestones was primarily driven by the increase in estimated fair value of regulatory and developmental milestones due to passage of time and the accretion to the payout amount related to the milestone achieved in the first quarter of 2022.

The Company recorded an $8.8 million gain and a $7.7 million gain due to the change in fair value of the contingent consideration liabilities for the USWM milestones for the three and six months ended June 30, 2021, respectively. In the second quarter of 2021, the Company recorded a change in fair value of $7.7 million, which was primarily due to the write-down of the sales-based contingent consideration. The Company assessed that the sales-based milestones will not be achieved based on the revised net sales projections.

Adamas Contingent Consideration

As discussed in Note 3, *Acquisition*, the Adamas Acquisition included payment of two non-tradable contingent value rights (CVRs) each of which represents the contractual right to receive a contingent payment upon the achievement of the applicable aggregate worldwide net product sales of GOCOVRI.

During the measurement period, changes in the fair value of contingent consideration related to the Adamas Acquisition are recorded against goodwill if such changes are related to facts and circumstances that existed at the acquisition date. In each reporting period after the acquisition, the Company remeasures the fair value of contingent consideration liabilities and records in its consolidated statements of earnings the increases or decreases in the fair value of the liabilities. The Company recorded a $0.4 million expense and a $0.7 million gain due to the change in fair value of the contingent consideration liabilities for the three and six months ended June 30, 2022, respectively. The change in fair value is reported on the condensed consolidated statement of earnings in *Contingent consideration expense (gain)*.

The change in estimated fair value of contingent consideration for the sales-based Adamas milestones was primarily due to changes in market data and the passage of time. The key assumptions considered in estimating the fair value of the Adamas sales-based milestones include the estimated amount and timing of projected revenues, volatility, estimated discount rates and risk-free interest rate. Refer to Note 3, *Acquisition*, for further discussion of significant inputs and assumptions used in the valuation of the contingent consideration for the Adamas Acquisition.

The following table provides a reconciliation of the beginning and ending balances related to the contingent consideration liabilities for the USWM Acquisition and Adamas Acquisition (dollars in thousands):

	USWM Acquisition	Adamas Acquisition	Total
Balance at December 31, 2021	$ 70,170	$ 10,307	$ 80,477
Milestone payments	(25,000)	—	(25,000)
Change in fair value recognized in earnings	2,070	(662)	1,408
Balance at June 30, 2022 (unaudited)	$ 47,240	$ 9,645	$ 56,885
Regulatory and developmental contingent consideration liabilities	$ 47,240	$ —	$ 47,240
Sales-based contingent consideration liabilities	—	9,645	9,645
Balance at June 30, 2022 (unaudited)	$ 47,240	$ 9,645	$ 56,885

The following table provides the current and long-term portions related to the contingent consideration for the USWM Acquisition and Adamas Acquisition (dollars in thousands):

	June 30, 2022	December 31, 2021
Reported under the following captions in the condensed consolidated balance sheets:	(unaudited)	
Contingent consideration, current portion	$ 47,240	$ 44,840
Contingent consideration, long-term	9,645	35,637
Total	$ 56,885	$ 80,477

8. Goodwill and Intangible Assets, Net

Goodwill

The following table summarizes the changes in the carrying amount of goodwill (dollars in thousands):

Balance as of December 31, 2021	$ 117,516
Measurement period adjustments related to the acquisition of Adamas (see Note 3)	(2,102)
Balance as of June 30, 2022 (unaudited)	$ 115,414

Intangible Assets, Net

The following table sets forth the gross carrying amounts and related accumulated amortization of intangibles assets and goodwill (dollars in thousands):

		June 30, 2022 (unaudited)			December 31, 2021		
	Remaining Weighted Average Life (Years)	Carrying Amount, Gross	Accumulated Amortization	Carrying Amount, Net	Carrying Amount, Gross	Accumulated Amortization	Carrying Amount, Net
Acquired in-process research and development		$ 124,000	$ —	$ 124,000	$ 124,000	$ —	$ 124,000
Intangible assets subject to amortization:							
Acquired developed technology and product rights	8.26	681,100	(74,278)	606,822	681,100	(35,550)	645,550
Capitalized patent defense costs	4.29	43,820	(31,237)	12,583	43,820	(28,677)	15,143
Total intangible assets	8.17	$ 848,920	$ (105,515)	$ 743,405	$ 848,920	$ (64,227)	$ 784,693

Patent defense costs are deferred legal fees incurred in conjunction with defending patents for Oxtellar XR and Trokendi XR. U.S. patents covering Oxtellar XR and Trokendi XR will expire no earlier than 2027. In regards to Trokendi XR, the Company entered into settlement agreements that allow third parties to enter the market by January 1, 2023, or earlier under certain circumstances.

Amortization expense for intangible assets was approximately $20.7 million and $41.3 million for the three and six months ended June 30, 2022, respectively, and approximately $5.9 million and $12.0 million for the three and six months ended June 30, 2021, respectively. The increase in expense is primarily due to amortization of the acquired developed technology and product rights from the Adamas Acquisition.

Anticipated annual amortization expense for intangible assets is estimated at $79.8 million each in both 2023 and 2024, $75.1 million in 2025, $74.9 million in 2026, and $73.2 million in 2027.

9. Convertible Senior Notes Due 2023

The 0.625% Convertible Senior Notes Due 2023 (2023 Notes), which were issued in March 2018, bear interest at an annual rate of 0.625%, payable semi-annually in arrears on April 1 and October 1 of each year. The 2023 Notes will mature on April 1, 2023, unless earlier converted or repurchased by the Company. The Company may not redeem the 2023 Notes at its option before maturity. The total principal amount of 2023 Notes is $402.5 million. We have reclassified the debt from long-term to current liabilities on our *Condensed Consolidated Balance Sheet*, as the debt matures in less than twelve months as of June 30, 2022.

The 2023 Notes were issued pursuant to an Indenture between the Company and Wilmington Trust, National Association, as trustee. The Indenture includes customary terms and covenants, including certain events of default upon which the 2023 Notes may be due and payable immediately. The Indenture does not contain any financial or operating covenants, or any restrictions on the payment of dividends, the issuance of other indebtedness, or the issuance or repurchase of securities by the Company.

Noteholders may convert their 2023 Notes at their option only in the following circumstances: (1) during any calendar

quarter, if the last reported sale price per share of the Company's common stock for at least 20 trading days (whether or not consecutive) during the 30 consecutive trading days ending on, and including the last trading day of the immediately preceding calendar quarter, exceeds 130% of the conversion price, or a price of approximately $77.13 per share on such trading day; (2) during the five consecutive business days immediately after any 10 consecutive trading day period (such 10 consecutive trading day period, the "measurement period") in which the trading price per $1,000 principal amount of Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price per share of the Company's common stock on such trading day and the conversion rate on such trading day; (3) upon the occurrence of certain corporate events or distributions on the Company's common stock, as specified in the Indenture; and (4) at any time from and including October 1, 2022, until the close of business on the second scheduled trading day immediately before the maturity date.

At its election, the Company will settle conversions by paying or delivering, as applicable, cash, shares of the Company’s common stock, or a combination of cash and shares of the Company’s common stock, based on the applicable conversion rate. The initial conversion rate is 16.8545 shares per $1,000 principal amount of the 2023 Notes, which represents an initial conversion price of approximately $59.33 per share, and is subject to adjustment as specified in the Indenture. In the event of conversion, if converted in cash, the holders would forgo all future interest payments, any unpaid accrued interest, and the possibility of further stock price appreciation.

If a “make-whole fundamental change,” as defined in the Indenture occurs, then the Company will in certain circumstances increase the conversion rate for a specified period of time. If a “fundamental change,” as defined in the Indenture occurs, then noteholders may require the Company to repurchase their 2023 Notes at a cash repurchase price equal to the principal amount of the 2023 Notes to be repurchased, plus accrued and unpaid interest, if any.

Contemporaneous with the issuance of the 2023 Notes, the Company also entered into separate privately negotiated convertible note hedge transactions (collectively, the Convertible Note Hedge Transactions) with each of the call spread counterparties. The Company issued 402,500 convertible note hedge options. In the event that shares or cash are deliverable to holders of the 2023 Notes upon conversion at limits defined in the Indenture, counterparties to the convertible note hedges will be required to deliver up to approximately 6.8 million shares of the Company’s common stock, or to pay cash to the Company in a similar amount as the value that the Company delivers to the holders of the 2023 Notes, based on a conversion price of $59.33 per share.

Concurrently with entering into the Convertible Note Hedge Transactions, the Company also entered into separate privately negotiated warrant transactions (collectively, the Warrant Transactions) with each of the call spread counterparties. The Company issued a total of 6,783,939 warrants. The warrants entitle the holder to one share per warrant. The strike price of the Warrant Transactions will initially be $80.91 per share of the Company’s common stock, and is subject to adjustment.

The Convertible Note Hedge Transactions are expected to reduce the potential dilution of the Company’s common stock upon conversion of the 2023 Notes, and/or offset any potential cash payments the Company is required to make in excess of the principal amount of converted 2023 Notes, as the case may be.

The Warrant Transactions were intended to partially offset the cost to the Company of the purchased Convertible Note Hedge Transactions; however, the Warrant Transactions could have a dilutive effect with respect to the Company’s common stock, to the extent that the market price per share of the Company’s common stock, as measured under the terms of the Warrant Transactions, exceeds the strike price of the warrants.

The liability component of the 2023 Notes consists of the following (dollars in thousands):

	June 30, 2022	December 31, 2021
	(unaudited)	
2023 Notes	$ 402,500	$ 402,500
Unamortized debt discount and deferred financing costs	(1,591)	(23,248)
Total carrying value	$ 400,909	$ 379,252

As discussed in Note 2, the Company adopted ASU 2020-06 on January 1, 2022 using the modified retrospective method of transition resulting in an increase in the carrying amount of the debt by $20.6 million as of the adoption date. Refer to Note 2, *Summary of Significant Accounting Policies*, for further discussion of the accounting standard adoption. No 2023 Notes were converted as of June 30, 2022 or December 31, 2021.

10. Share-Based Payments

Share-based compensation expense is as follows (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(unaudited)		(unaudited)	
Research and development	$ 808	$ 706	$ 1,459	$ 1,294
Selling, general and administrative	3,489	4,770	6,863	8,553
Total	$ 4,297	$ 5,476	$ 8,322	$ 9,847

Stock Option and Stock Appreciation Rights

The following table summarizes stock option and stock appreciation rights (SAR) activities:

	Number of Options	Weighted Average Exercise Price (per share)	Weighted Average Remaining Contractual Term (in years)
Outstanding, December 31, 2021	5,774,076	$ 24.15	5.95
Granted	1,006,985	$ 31.95	
Exercised	(111,363)	$ 18.64	
Forfeited	(108,949)	$ 31.22	
Outstanding, June 30, 2022 (unaudited)	6,560,749	$ 25.33	6.12
As of December 31, 2021:			
Vested and expected to vest	5,774,076	$ 24.15	5.95
Exercisable	3,651,824	$ 21.29	4.53
As of June 30, 2022 (unaudited):			
Vested and expected to vest	6,560,749	$ 25.33	6.12
Exercisable	4,202,865	$ 22.89	4.60

Restricted Stock Units

The following table summarizes restricted stock unit (RSU) activities:

	Number of RSUs	Weighted Average Grant Date Fair Value per Share
Nonvested, December 31, 2021	21,110	$ 29.61
Granted	132,460	$ 32.17
Vested	(21,110)	$ 29.61
Nonvested, June 30, 2022 (unaudited)	132,460	$ 32.17

There were no forfeited RSU awards during the six months ended June 30, 2022.

Performance Share Units

The following table summarizes performance share unit (PSU) activities:

	Performance-Based Units		Market-Based Units		Total PSUs	
	Number of PSUs	Weighted Average Grant Date Fair Value per Share	Number of PSUs	Weighted Average Grant Date Fair Value per Share	Number of PSUs	Weighted Average Grant Date Fair Value per Share
Nonvested, December 31, 2021	53,500	$ 29.82	35,625	$ 26.34	89,125	$ 28.43
Granted	155,000	$ 28.93	—	—	155,000	$ 28.93
Vested	(21,500)	$ 29.67	—	—	(21,500)	$ 29.67
Forfeited	(1,500)	$ 30.45	—	—	(1,500)	$ 30.45
Nonvested, June 30, 2022 (unaudited)	185,500	$ 29.09	35,625	$ 26.34	221,125	$ 28.65

11. Earnings per Share

The Company adopted ASU 2020-06 on January 1, 2022 using the modified retrospective method of transition. ASU 2020-06 requires the application of the if-converted method for calculating diluted earnings per share, whereas the Company previously calculated diluted earnings per share under the treasury stock method. Basic earnings per share (EPS) is calculated using the weighted average number of common shares outstanding. Diluted EPS is calculated using the weighted average number of common shares outstanding, including the dilutive effect of the Company's stock option grants, SARs, RSUs, employee stock purchase plan (ESPP) awards, and the 2023 Notes, as determined per the if-converted method for the three and six months ended June 30, 2022 in connection with the adoption of ASU 2020-06 and the treasury stock method for the three and six months ended June 30, 2021.

Effect of Convertible Notes and Related Convertible Note Hedges and Warrants

In connection with the issuance of the 2023 Notes, the Company entered into Convertible Note Hedge and Warrant Transactions as described further in Note 9, *Convertible Senior Notes Due 2023*. The expected collective impact of the Convertible Note Hedge and Warrant Transactions is to reduce the potential dilution that would occur if the price of the Company's common stock was between the conversion price of $59.33 per share and the strike price of the warrants of $80.91 per share.

Diluted EPS related to the 2023 Notes in the current year is calculated using the if-converted method. The number of dilutive shares is based on the initial conversion rate associated with the 2023 Notes. The Convertible Note Hedge and Warrant Transactions are excluded in the calculation of diluted EPS because inclusion would be anti-dilutive. Specifically, the denominator of the diluted EPS calculation excludes the additional shares related to the warrants because the average price of the Company's common stock was less than the strike price of the warrants of $80.91 per share. Prior to actual conversion, the Convertible Note Hedge Transactions are not considered in calculating diluted earnings per share, as their impact would be anti-dilutive.

In addition to the above described effect of the 2023 Notes and the related Convertible Note Hedge and Warrant Transactions, the Company also excluded the common stock equivalents of the following outstanding stock-based awards in the calculation of diluted EPS, because their inclusion would be anti-dilutive:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(unaudited)		(unaudited)	
Stock options, RSUs, PSUs	283,299	1,157,397	556,565	1,313,316

As mentioned in Note 2, as a result of the adoption of ASU 2020-06 on January 1, 2022 the Company calculated diluted earnings per share using the if-converted method. The 6.8 million in dilutive shares associated with the conversion of the 2023 Notes are included in diluted weighted average shares of common stock outstanding for the purposes of calculating diluted earnings per share for the three and six months ended June 30, 2022. For the three and six months ended June 30, 2021, the Company calculated diluted earnings per share using the treasury stock method wherein the shares associated with the conversion of the 2023 Notes were excluded as the Company assumed the 2023 Notes would be settled entirely or partly in cash.

The following table sets forth the computation of basic and diluted net earnings per share for the three and six months ended June 30, 2022 under the if-converted method and for the three and six months ended June 30, 2021 under the treasury stock method (dollars in thousands, except share and per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(unaudited)		(unaudited)	
Numerator:				
Net earnings	$ 7,865	$ 23,726	$ 33,481	$ 29,420
After-tax interest expense for 2023 Notes	888	—	1,775	—
Numerator for dilutive earnings per share	$ 8,753	$ 23,726	$ 35,256	$ 29,420
Denominator:				
Weighted average shares outstanding, basic	53,426,163	53,005,344	53,378,319	52,985,472
Effect of dilutive securities:				
Stock options, RSUs and SARs	1,187,060	1,718,802	1,239,439	1,616,061
Convertible notes	6,783,936	—	6,783,936	—
Weighted average shares outstanding, diluted	61,397,159	54,724,146	61,401,694	54,601,533
Earnings per share, basic	$ 0.15	$ 0.45	$ 0.63	$ 0.56
Earnings per share, diluted	$ 0.14	$ 0.43	$ 0.57	$ 0.54

12. Income Tax (Benefit) Expense

The following table provides information regarding the Company's income tax (benefit) expense for the three and six months ended June 30, 2022 and 2021 (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(unaudited)		(unaudited)	
Income tax (benefit) expense	$ 3,459	$ 7,509	$ (7,434)	$ 12,744
Effective tax rate	30.5 %	24.1 %	(28.5) %	30.2 %

The decrease in income tax expense for the three months ended June 30, 2022 compared to the same period in prior year was primarily due to lower earnings before income taxes. The increase in effective tax rate for the three months ended June 30, 2022 compared to the same period in prior year was primarily due to non-taxable contingent consideration gain recognized in the second quarter of 2021.

The change in income tax (benefit) expense and effective tax rate for the six months ended June 30, 2022 compared to the same period in the prior year was primarily due to tax benefits associated with the Adamas legal entities reorganization in the first quarter of 2022.

13. Leases

Office Space and Fleet Vehicle Leases

The Company has operating leases for its headquarters lease, certain other office space, and its fleet vehicles. With respect to the fleet vehicle leases, given the volume of individual leases involved in the overall arrangement, the Company applies a portfolio approach to effectively account for the operating lease assets and liabilities. The Company also elected to combine the lease and non-lease components for the fleet vehicles and headquarters leases.

The Company's headquarters lease commenced on February 1, 2019 (the Commencement Date) and will continue until April 30, 2034, unless earlier terminated in accordance with the terms of the lease. The lease includes options to extend the lease for up to 10 years.

As part of the Adamas Acquisition, the Company acquired a lease for office space. Adamas' operating lease for the office space term will continue until April 30, 2025. The lease contains an option to extend the term for one additional five-year period.

During a measurement period, changes in fair value due to measurement period adjustments are recorded against goodwill. The Company recorded in the first quarter of 2022 a measurement period adjustment associated with the valuation of the acquired Adamas lease which decreased the fair value estimate of the operating lease right of use asset by $1.6 million. Refer to Note 3, *Acquisition*.

Contract Manufacturing Lease

The Company has a contract manufacturing agreement with Merz Pharma GmbH & Co. KGaA (Merz), for the manufacture and supply of rimabotulinumtoxinB finished products (Merz Agreement). The Merz Agreement will expire in July 2027 unless the Company and Merz mutually agree to extend the terms. The Merz Agreement may not be terminated for convenience.

Under the terms of the agreement, the Company is required to purchase a minimum quantity of MYOBLOC finished products on an annual basis. This minimum purchase requirement represents the in-substance fixed contract consideration associated with the dedicated manufacturing facility which the Company accounts for as an embedded lease.

The Company made an accounting policy election, by class of underlying asset, to not combine lease and non-lease components for the manufacturing facility. A portion of the in-substance fixed contract consideration was allocated to the lease component based on the stand-alone selling price. Accordingly, the Company classifies and accounts for the embedded lease as an operating lease.

Operating lease assets and lease liabilities as reported on the condensed consolidated balance sheets are as follows (dollars in thousands):

	Balance Sheet Classification	June 30, 2022 (unaudited)	December 31, 2021
Assets			
Operating lease assets	Other assets	$ 30,636	$ 35,365
Total lease assets		$ 30,636	$ 35,365
Liabilities			
Lease liabilities, current			
Operating lease liabilities, current portion	Accounts payable and accrued liabilities	$ 7,040	$ 6,477
Lease liabilities, long-term			
Operating lease liabilities, long-term	Operating lease liabilities, long-term	37,080	41,298
Total lease liabilities		$ 44,120	$ 47,775

14. Composition of Other Balance Sheet Items

The following details the composition of other balance sheet items (dollars in thousands for amounts in tables):

Accounts Receivables, Net

As of June 30, 2022 and December 31, 2021, the Company has recorded allowances reducing accounts receivable by approximately $12.6 million and $13.5 million, respectively. These allowances represent prompt pay discounts and contractual service fees, which were originally recorded as a reduction to revenues, representing estimated amounts not expected to be paid by our customers. The Company's customers are primarily pharmaceutical wholesalers and distributors and specialty pharmacies.

Inventories, Net

	June 30, 2022	December 31, 2021
	(unaudited)	
Raw materials	$ 7,463	$ 7,325
Work in process	36,860	45,711
Finished goods	40,537	32,923
Total	$ 84,860	$ 85,959

Inventories as of June 30, 2022 include acquired inventory from the Adamas Acquisition. Refer to Note 3, *Acquisition*, for further discussion of the acquisition.

Property and Equipment, Net

	June 30, 2022	December 31, 2021
	(unaudited)	
Lab equipment and furniture	$ 12,212	$ 12,287
Leasehold improvements	14,023	14,369
Software	1,007	4,776
Computer equipment	1,282	1,944
Construction-in-progress	—	33
	28,524	33,409
Less accumulated depreciation and amortization	(12,207)	(16,454)
Property and equipment, net	$ 16,317	$ 16,955

Depreciation and amortization expense on property and equipment was approximately $0.7 million and $1.4 million for the three and six months ended June 30, 2022, respectively, and approximately $0.7 million and $1.3 million for the three and six months ended June 30, 2021, respectively. The Company retired certain fully depreciated property and equipment in the six months ended June 30, 2022.

Accounts Payable and Accrued Liabilities

	June 30, 2022	December 31, 2021
	(unaudited)	
Accounts payable	$ 35,518	$ 9,331
Accrued professional fees	34,256	26,728
Accrued compensation	14,535	28,068
Accrued product costs	13,352	18,460
Accrued royalties [1]	12,020	13,821
Accrued clinical trial costs [2]	8,653	9,125
Operating lease liabilities, current portion [3]	7,040	6,477
Other accrued expenses	7,626	5,673
Total	$ 133,000	$ 117,683

[1] Refer to Note 16, *Commitments and Contingencies*.
[2] Includes preclinical and all clinical trial-related costs.
[3] Refer to Note 13, *Leases*.

Accrued Product Returns and Rebates

	June 30, 2022	December 31, 2021
	(unaudited)	
Accrued product rebates	$ 108,648	$ 97,597
Accrued product returns	37,113	35,127
Total	$ 145,761	$ 132,724

Other Liabilities

	June 30, 2022	December 31, 2021
	(unaudited)	
Nonrecourse liability related to sale of future royalties, long-term	$ 1,364	$ 5,977
Other liabilities	10,601	10,403
Total	$ 11,965	$ 16,380

15. Interest Expense

The following details the composition of interest expense (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(unaudited)		(unaudited)	
Interest expense	$ (1,175)	$ (4,498)	$ (2,330)	$ (9,560)
Interest expense on nonrecourse liability related to sale of future royalties	(635)	(969)	(1,422)	(2,004)
Total	$ (1,810)	$ (5,467)	$ (3,752)	$ (11,564)

For the three and six months ended June 30, 2022, interest expense includes noncash interest expense related to amortization of deferred financing costs of $0.5 million and $1.1 million. For the three and six months ended June 30, 2021, interest expense includes noncash interest expense related to amortization of deferred financing costs and amortization of the debt discount on the 2023 Notes of $4.3 million and $8.6 million. As discussed in Note 2, *Summary of Significant Accounting Policies*, the Company adopted ASU 2020-06 on January 1, 2022. As a result, interest expense for the three and six months ended June 30, 2022 significantly decreased compared to the three and six months ended June 30, 2021 due to the Company no longer recording interest expense on the previously recorded discount for the embedded conversion feature on the 2023 Notes.

16. Commitments and Contingencies

Product Licenses

The Company has obtained exclusive licenses from third parties for proprietary rights to support the product candidates in the Company's CNS portfolio. Under these license agreements, the Company may be required to pay certain amounts upon the achievement of defined milestones. If these products are ultimately commercialized, the Company is also obligated to pay royalties to third parties, computed as a percentage of net product sales, for each respective product under a license agreement.

Through the USWM Acquisition, the Company acquired licensing agreements with other pharmaceutical companies for APOKYN, XADAGO, and MYOBLOC. The Company is obligated to pay royalties to third parties, computed as a percentage of net product sales, for each of the products under the respective license agreements. The royalty expense incurred for these acquired products is recognized as *Cost of goods sold* in the condensed consolidated statements of earnings.

Royalty Agreement

In the third quarter of 2014, the Company received $30 million pursuant to a Royalty Interest Acquisition Agreement related to the purchase by HC Royalty of certain of the Company's rights under the Company's agreement with United Therapeutics related to the commercialization of Orenitram (treprostinil) Extended-Release Tablets. Full ownership of the royalty

rights will revert to the Company if and when a certain cumulative payment threshold is reached (see Note 4, Note 14, and Note 15).

USWM Enterprises Commitments Assumed

As part of the USWM Acquisition, the Company assumed the remaining commitments of USWM Enterprises and its subsidiaries, which are discussed below.

The Company assumed the annual minimum purchase requirement of MYOBLOC, amounting to an estimated €3.9 million annually, under the contract manufacturing agreement with Merz for manufacture and supply. Refer to Note 13, *Leases* for further discussion related to the Merz Agreement in connection with the MYOBLOC annual minimum purchase requirement.

In addition, USWM Enterprises had an existing license and distribution agreement for XADAGO. This included an annual minimum promotional spend to support the marketing of XADAGO for the first five years of the agreement which has been completed as of June 30, 2022.

In March 2019, MDD US Operations, LLC (formerly US WorldMeds, LLC) and its subsidiary, Solstice Neurosciences, LLC (US) (collectively, the MDD Subsidiaries) entered into a Corporate Integrity Agreement (CIA) with the Office of Inspector General of the U.S. Department of Health and Human Services. Under the CIA, the MDD Subsidiaries agreed to and paid $17.5 million to resolve U.S. Department of Justice allegations that it violated the False Claims Act and committed to the establishment and ongoing maintenance of an effective compliance program. The fine was paid by the MDD Subsidiaries prior to closing of the USWM Acquisition. As part of the USWM Acquisition, the Company assumed the obligations of the CIA and could become liable for payment of certain stipulated monetary penalties in the event of any CIA violations. In addition, the Company will continue to maintain a broad array of processes, policies and procedures necessary to comply with the CIA through March 2024.

Data Breach-related Contingency

On November 24, 2021, the Company announced that it was the target of a ransomware attack. The attack had no significant impact on our business and did not cause any long-term disruption to our operations. Based on its internal investigation, the Company believes the criminal ransomware groups ("criminal groups") copied certain data from the Company's systems, encrypted certain data on the Company's systems, and then deployed malware designed to impede access to the Company's systems. Thereafter the criminal groups contacted the Company and threatened to publish certain data copied from the Company's systems. Upon detection of the ransomware attack, the Company notified government authorities, engaged third-party cybersecurity experts through our outside counsel, and commenced its recovery process. The Company maintains redundant off-site data backups, which were verified to have not been compromised by the ransomware attack and were utilized to restore the data encrypted by the criminal groups. In the fourth quarter of 2021, the Company had successfully recovered the impacted files and took additional steps designed to further protect its networks and files.

Furthermore, while the Company has not been the subject of any legal proceedings involving the attack, the likelihood that the Company could be the subject of claims from persons alleging they suffered damages from the incident or actions by governmental authorities is possible, but the amount of such fines, penalties or costs, if any, cannot be estimated at this time. The Company continues to monitor the situation.

Claims and Litigation

From time to time, the Company may be involved in various claims, litigation and legal proceedings. These matters may involve patent litigation, product liability and other product-related litigation, commercial and other matters, and government investigations, among others. On a quarterly basis, the Company reviews the status of each significant matter and assesses its potential financial exposure. If the potential loss from any claim, asserted or unasserted, or legal proceeding is considered probable and the amount can be reasonably estimated, the Company will accrue a liability for the estimated loss. Because of uncertainties related to claims, legal proceedings and litigation, accruals will be based on the Company's best estimates based on available information. The Company does not believe that any of these matters will have a material adverse effect on our financial position. The Company may reassess the potential liability related to these matters and may revise these estimates. The process of resolving matters through litigation or other means is inherently uncertain and it is possible that an unfavorable resolution of these matters will adversely affect the Company, its results of operations, financial condition and cash flows.

NAMENDA XR/Namzaric Qui Tam Litigation

On April 1, 2019, Adamas was served with a complaint filed in the United States District Court for the Northern District of California (the District Court) (Case No. 3:18-cv-03018-JCS) against it and several Allergan entities alleging violations of federal and state false claims acts (FCA) in connection with the commercialization of NAMENDA XR and Namzaric by Allergan. The lawsuit is a *qui tam* complaint brought by an individual, asserting rights of the federal government and various state governments. The lawsuit was originally filed in May 2018 under seal, and Adamas became aware of the lawsuit when it was served. The complaint alleges that patents held by Allergan and Adamas covering NAMENDA XR and Namzaric were procured through fraud on the United States Patent and Trademark Office and that these patents were asserted against potential generic manufacturers of NAMENDA XR and Namzaric to prevent the generic manufacturers from entering the market, thereby wrongfully excluding generic competition resulting in artificially high price being charged to government payors. Adamas' patents in question were licensed exclusively to Forest Laboratories Holdings Limited. The complaint includes a claim for damages of "potentially more than $2.5 billion dollars," treble damages and statutory penalties. To date the federal and state governments have declined to intervene in this action. This case is currently stayed pending Adamas's and Allergan's interlocutory appeal of the District Court's December 11, 2020 order denying Adamas's and Allergan's motion to dismiss the complaint. The appeal is pending in the United States Court of Appeals for the Ninth Circuit (Case No. 21-80005). Argument was held on January 10, 2022 and no decision has been reached as of the date of this filing. The Company intends to defend itself vigorously. However, the Company can offer no assurances that it will be successful in a litigation.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations is intended to help the reader understand the results of operations and the financial condition of Supernus Pharmaceuticals, Inc. (the Company, we, us, or our). The interim condensed consolidated financial statements included in this report and this Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our audited consolidated financial statements and notes thereto for the year ended December 31, 2021 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission on April 13, 2022.

In addition to historical information, 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, and Section 21E of the Securities Exchange Act of 1934, as amended, which are intended to be covered by the safe harbors created thereby. These forward-looking statements may include declarations regarding the Company's belief or current expectations of management, such as statements including the words "budgeted," "anticipate," "project," "forecast," "estimate," "expect," "may," "believe," "potential," and similar statements or expressions, which are intended to be among the statements that are forward-looking statements, as such statements reflect the reality of risk and uncertainty that is inherent in our business. Actual results may differ materially from those expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which are made as of the date this report was filed with the Securities and Exchange Commission. Our actual results and the timing of events could differ materially from those discussed in our forward-looking statements as a result of many factors, including those set forth under the "Risk Factors" section of our Annual Report on Form 10-K and elsewhere in this report as well as in other reports and documents we file with the Securities and Exchange Commission from time to time. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances occurring after the date of this Quarterly Report on Form 10-Q.

Solely for convenience, in this Quarterly Report on Form 10-Q, the trade names are referred to without the TM symbols and the trademark registrations are referred to without the circled R, but such references should not be construed as any indicator that the Company will not assert, to the fullest extent under applicable law, our rights thereto.

Overview

We are a biopharmaceutical company focused on developing and commercializing products for the treatment of central nervous system (CNS) diseases. Our diverse neuroscience portfolio includes approved treatments for epilepsy, migraine, attention-deficit hyperactivity disorder (ADHD), hypomobility in Parkinson's Disease (PD), cervical dystonia, chronic sialorrhea, dyskinesia in PD patients receiving levodopa-based therapy, and drug-induced extrapyramidal reactions in adult patients. The Company is developing a broad range of novel CNS product candidates including new potential treatments for hypomobility in PD, epilepsy, depression, and other CNS disorders.

We have a portfolio of commercial products and product candidates.

Commercial Products

- Trokendi XR® (topiramate) is the first once-daily extended-release topiramate product indicated for the treatment of epilepsy in patients 6 years of age and older in the United States (U.S.) market. It is also indicated for the prophylaxis of migraine headache in adults and adolescents 12 years and older.
- Oxtellar XR® (oxcarbazepine) is indicated as therapy for the treatment of partial onset seizures in patients 6 years of age and older. It is also the first once-daily extended-release oxcarbazepine product indicated for the treatment of epilepsy in the U.S.
- Qelbree® (viloxazine extended-release capsules) is a novel non-stimulant product indicated for the treatment of ADHD in adults and pediatric patients 6 years and older. On April 2, 2021, the U.S. Food and Drug Administration (FDA) approved Qelbree for the treatment of ADHD in pediatric patients 6 to 17 years of age. In May 2021, the Company launched Qelbree for pediatric patients in the U.S. On April 29, 2022, the FDA approved Qelbree for treatment of ADHD in adult patients. The Company launched Qelbree for adult patients in May 2022.
- GOCOVRI® (amantadine) extended-release capsules is the first and only FDA approved medicine indicated for the treatment of dyskinesia in patients with PD receiving levodopa-based therapy, with or without concomitant dopaminergic medications, and as an adjunctive treatment to levodopa/carbidopa with PD experiencing "off" episodes.
- APOKYN® (apomorphine hydrochloride injection) is a product indicated for the acute, intermittent treatment of hypomobility, "off" episodes ("end-of-dose wearing off" and unpredictable "on/off" episodes) in patients with advanced PD.
- XADAGO® (safinamide) is a once-daily product indicated as adjunctive treatment to levodopa/carbidopa in patients with PD experiencing "off" episodes.
- Osmolex ER® (amantadine) extended-release is a once-daily product for the treatment of PD and drug-induced extrapyramidal reactions in adult patients.
- MYOBLOC® (rimabotulinumtoxinB injection) is a product indicated for the treatment of cervical dystonia and chronic sialorrhea in adults. It is the only botulinum toxin type B available on the market.

Research and Development

We are developing a pipeline of novel CNS product candidates for the treatment of various CNS conditions. The table below summarizes our product candidates in clinical development.

Product Candidate	Indication	Development	NDA
SPN-830	Continuous treatment of motor fluctuations ("off" episodes) in PD patients		Under Review [1]
SPN-820	Treatment-resistant depression	Phase II	
SPN-817	Treatment-resistant seizures	Phase I	
SPN-443	CNS	Preclinical	
SPN-446	CNS	Preclinical	

[1] PDUFA target action date in early October 2022.

SPN-830 (apomorphine infusion device)

SPN-830 is a late-stage drug/device combination product candidate for the continuous treatment of motor fluctuations ("off" episodes) in PD patients that are not adequately controlled with oral levodopa and one or more adjunct PD medications. If approved, it would be the only continuous infusion of apomorphine available in the U.S. and an important step for PD patients that would have otherwise been candidates for potentially invasive surgical procedures, such as deep brain stimulation. Continuous slow infusion may also limit some of the side effects of a bolus injection of apomorphine.

In December 2021, we resubmitted the NDA to the FDA. In February 2022, we received a notice from the FDA that the resubmission of the NDA for SPN-830 is considered as a Standard Review, thereby was assigned a timeline for review of 10 months by the FDA. The PDUFA target action date in early October 2022. The Company is preparing for the commercial launch of SPN-830 in the first quarter of 2023 assuming timely approval by the FDA.

SPN-820 (NV-5138)

SPN-820 is a first-in-class, orally active small molecule that directly activates brain mechanistic target of rapamycin complex 1 (mTORC1), a gatekeeper of cellular metabolism and renewal. SPN-820 binds to and modulates sestrin, which senses amino acid availability in the brain, a potent natural activator of mTORC1.

SPN-817 (huperzine A)

SPN-817 represents a novel mechanism of action (MOA) for an anticonvulsant. SPN-817 is a novel synthetic form of huperzine A, whose MOA includes potent acetylcholinesterase inhibition, with pharmacological activities in CNS conditions such as epilepsy. The development will initially focus on the drug's anticonvulsant activity, which has been shown in preclinical models to be effective for the treatment of partial seizures and Dravet Syndrome. SPN-817 is in clinical development and has received Orphan Drug designation for several epilepsy indications from the FDA.

Adamas Reorganization

In the first quarter of 2022 and subsequent to the Adamas Acquisition, the Company completed a reorganization of the Adamas legal entities in an effort to obtain operational, legal and other benefits that also resulted in certain state tax efficiencies. The reorganization had no effect on the condensed consolidated financial statements other than certain state tax efficiencies. (See Note 12, *Income Tax (Benefit) Expense*.)

COVID-19 Impact

While the impact of the ongoing COVID-19 pandemic did not have a material adverse effect on our financial position or results of operations for the three months and six months ended June 30, 2022, we continue to closely monitor the events and circumstances surrounding the COVID-19 pandemic and its impact on all aspects of our business operations. Since the situation surrounding the COVID-19 pandemic remains fluid and the duration uncertain, the long-term nature and extent of the impacts of the pandemic on our business operations and financial position cannot be reasonably estimated at this time. See “Risk Factors” in

Part I, Item 1A of our Annual Report on Form 10-K for additional information on risk factors that could impact our business and our results.

Operational Highlights

Qelbree Launch Update

- Total IQVIA prescriptions were 62,938 in the second quarter of 2022, an increase of 33% compared to total prescriptions of 47,234 in the first quarter of 2022. In June 2022, the most recent month available, total prescriptions reached 23,403.
- Qelbree continues to expand its base of prescribers, with approximately 9,276 prescribers in the second quarter of 2022, up from 6,900 prescribers from the first quarter of 2022.
- Continued progress in securing and improving managed care coverage.
- Supernus launched Qelbree for adult patients in May 2022.

Product Pipeline Update

SPN-830 (apomorphine infusion device) - Continuous treatment of motor fluctuations ("off" episodes) in PD

- The Company will continue to work closely with the FDA as it reviews the New Drug Application (NDA) resubmission for SPN-830 for the continuous treatment of motor fluctuations ("off" episodes) in Parkinson's disease. The Company is preparing for the commercial launch of SPN-830 in the first quarter of 2023, assuming timely approval by the FDA. The FDA has established a PDUFA target action date in early October 2022.

SPN-820 - Novel first-in-class activator of mTORC1

- The Company continues to enroll patients in a Phase II multi-center, randomized double-blind placebo-controlled parallel design study of SPN-820 in adults with treatment-resistant depression. The study will examine the efficacy and safety of SPN-820 over a course of five weeks of treatment in approximately 270 patients. The primary outcome measure is the change from baseline to end of treatment period on the Montgomery-Asberg Depression Rating Scale (MADRS) Total Score, a standard depression rating scale.

SPN-817 – A novel product candidate for the treatment of epilepsy

- An open label Phase II clinical study of SPN-817 for treatment-resistant seizures is expected to start in the fourth quarter of 2022.

Critical Accounting Policies and the Use of Estimates

A summary of our significant accounting policies is included in Note 2, *Summary of Significant Accounting Policies* of our audited consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2021. There were no significant changes to the disclosures with respect to our critical accounting policies in our Annual Report on Form 10-K for the year ended December 31, 2021.

Results of Operations

Comparison of the Three and Six Months Ended June 30, 2022 and 2021

Revenues

Revenues consist primarily of net product sales of our commercial products in the U.S., supplemented by royalty revenues from our collaborative licensing arrangements. The following table provides information regarding our revenues during the three and six months ended June 30, 2022 and 2021 (dollars in thousands):

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2022	2021	Amount	Percent	2022	2021	Amount	Percent
Net product sales								
Trokendi XR	$ 71,602	$ 78,777	$ (7,175)	(9)%	$ 134,434	$ 150,596	$ (16,162)	(11)%
Oxtellar XR	29,958	25,022	4,936	20%	57,479	52,392	5,087	10%
GOCOVRI	24,700	—	24,700	**	47,301	—	47,301	**
APOKYN	20,447	26,981	(6,534)	(24)%	38,895	48,711	(9,816)	(20)%
Qelbree	11,099	315	10,784	**	19,382	315	19,067	**
Other[1]	7,653	7,533	120	2%	15,432	14,995	437	3%
Total net product sales	$ 165,459	$ 138,628	$ 26,831	19%	$ 312,923	$ 267,009	$ 45,914	17%
Royalty revenues	4,592	2,701	1,891	70%	9,634	5,252	4,382	83%
Total revenues	$ 170,051	$ 141,329	$ 28,722	20%	$ 322,557	$ 272,261	$ 50,296	18%

[1] Includes net product sales of MYOBLOC, XADAGO and Osmolex ER.

The $26.8 million and 19% increase in net product sales for the three months ended June 30, 2022, as compared to the same period in 2021, was primarily due to the inclusion of $24.7 million in net product sales of GOCOVRI, subsequent to the completion of the Adamas Acquisition in November 2021, the increase of $4.9 million in net product sales of Oxtellar XR, as well as a $10.8 million increase in net product sales of Qelbree, which was launched in May 2021. Partially offsetting this increase was a $7.2 million decrease in net product sales of Trokendi XR and a $6.5 million decrease in net product sales of APOKYN primarily attributable to the decline in unit demand due to competitive headwinds.

The $45.9 million and 17% increase in net product sales for the six months ended June 30, 2022, as compared to the same period in 2021, was primarily due to the inclusion of $47.3 million in net product sales of GOCOVRI, subsequent to the completion of the Adamas Acquisition in November 2021, the increase of $5.1 million in net product sales of Oxtellar, as well as a $19.1 million increase in net product sales of Qelbree, which was launched in May 2021. Partially offsetting this increase was a $16.2 million decrease in net product sales of Trokendi XR and a $9.8 million decrease in net product sales of APOKYN primarily attributable to the decline in unit demand due to competitive headwinds.

Sales Deductions and Related Accruals

We record accrued product returns and accrued product rebates as current liabilities in *Accrued product returns and rebates*, on our condensed consolidated balance sheets. We record sales discounts as a reduction against *Accounts receivable, net* on the condensed consolidated balance sheets. Both amounts are generally affected by changes in gross product sales, changes in the provision for net product sales deductions, and the timing of payments/credits.

The following table provides a summary of activity with respect to sales deductions and related accruals during the periods indicated (dollars in thousands):

	Accrued Product Returns and Rebates		Reduction to Accounts Receivable for Sales Discounts	Total
	Product Returns	Product Rebates		
Balance at December 31, 2021	$ 35,127	$ 97,597	$ 13,537	$ 146,261
Provision				
Provision for current year sales	8,745	215,675	36,224	260,644
Adjustments relating to prior year sales	(1,613)	185	(2)	(1,430)
Total provision	$ 7,132	$ 215,860	$ 36,222	$ 259,214
Less: Actual payments/credits	(5,146)	(204,809)	(37,159)	(247,114)
Balance at June 30, 2022	$ 37,113	$ 108,648	$ 12,600	$ 158,361
Balance at December 31, 2020	$ 29,603	$ 96,589	$ 11,404	$ 137,596
Provision				
Provision for current year sales	6,478	189,223	34,017	229,718
Adjustments relating to prior year sales	(443)	1,267	19	843
Total provision	$ 6,035	$ 190,490	$ 34,036	$ 230,561
Less: Actual payments/credits	(2,758)	(146,361)	(33,859)	(182,978)
Balance at June 30, 2021	$ 32,880	$ 140,718	$ 11,581	$ 185,179

Accrued Product Returns and Rebates Balances

The accrued product returns balance increased from $32.9 million as of June 30, 2021 to $37.1 million as of June 30, 2022 principally due to the timing of related return activity and an increase in provision for product returns primarily for Qelbree.

The accrued product rebates balance decreased from $140.7 million as of June 30, 2021 to $108.6 million as of June 30, 2022 due to timing of payments which more than offsets the increase in the provision.

Provision for Product Returns and Rebates

The provision for product returns increased from $6.0 million for the six month period ended June 30, 2021 to $7.1 million for the six month period ended June 30, 2022. The increase was primarily attributable to increase in volume of products sold with the launch of Qelbree for pediatric patients in second quarter of 2021 and for adults in second quarter of 2022, partially offset by lower sales of Trokendi XR.

The provision for product rebates increased from $190.5 million for the six month period ended June 30, 2021 to $215.9 million for the six month period ended June 30, 2022. The increase was primarily attributable to higher sales volume, as well as higher per patient payments under both government and commercial managed care programs.

Royalty Revenues

Royalty revenues include a royalty from net product sales of Mydayis, a product of Takeda Pharmaceuticals Company Ltd., Namzaric royalties, and noncash royalty revenue pursuant to our agreement with Healthcare Royalty Partners III, L.P. (HC Royalty). HC Royalty receives royalty payments from United Therapeutics Corporation (United Therapeutics) based on net product sales of United Therapeutics' product Orenitram.

Royalty revenues were $4.6 million and $2.7 million for the three months ended June 30, 2022 and 2021, respectively. Royalty revenues were $9.6 million and $5.3 million for the six months ended June 30, 2022 and 2021, respectively. The increase was primarily due to the Namzaric royalties for the three and six months ended June 30, 2022. Namzaric royalty rights were acquired in connection with the Adamas Acquisition.

Cost of Goods Sold

Cost of goods sold was $20.5 million and $25.0 million for the three months ended June 30, 2022 and 2021, respectively. Cost of goods sold was $38.4 million and $40.0 million for the six months ended June 30, 2022 and 2021, respectively. Royalty expense associated with the acquired commercial products, APOKYN and XADAGO, made up the majority of cost of goods sold. The decrease in both periods was primarily due to lower royalty expense with the decline in APOKYN sales in 2022 and additional costs of $5.7 million incurred in 2021 for the rejected MYOBLOC inventory lots in connection with the minimum purchase commitments. Partially offsetting these decreases was an increase attributable to the inclusion of cost of goods sold for the acquired commercial products from the Adamas Acquisition, and higher Qelbree sales compared to the same period in the prior year.

Research and Development Expenses

R&D expenses were $16.4 million and $15.5 million for the three months ended June 30, 2022 and 2021, respectively. The $0.9 million increase was primarily due to increases in regulatory costs and an increase in clinical trial expenses for SPN-820. R&D expenses were $37.2 million and $49.7 million for the six months ended June 30, 2022 and 2021. The $12.5 million decrease was primarily due to the write-down of the $15.0 million investment in Navitor LLC which was attributable to a single in-process research and development (IPR&D) asset and recorded in R&D expense in the first quarter of 2021.

Selling, General and Administrative Expenses

The following table provides information regarding our selling, general and administrative (SG&A) expenses during the periods indicated (dollars in thousands):

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2022	2021	Amount	Percent	2022	2021	Amount	Percent
Selling and marketing	$ 73,581	$ 48,380	$ 25,201	52%	$ 134,094	$ 86,827	$ 47,267	54%
General and administrative	26,895	21,155	5,740	27%	56,841	44,165	$ 12,676	29%
Total	$ 100,476	$ 69,535	$ 30,941	44%	$ 190,935	$ 130,992	$ 59,943	46%

Selling, general and administrative expenses increased by 44% to $100.5 million for the three months ended June 30, 2022, and by 46% to $190.9 million for the six months ended June 30, 2022. The increases in both periods were primarily attributable to increased marketing expenses and professional consulting spend related to the Company's commercial products, including the acquired commercial products from the Adamas Acquisition, increased Qelbree costs to support current period net product sales, as well as preparation activities for the launch of Qelbree for adults. General and administrative expenses increased due to higher professional and consulting costs to support IT and finance operations related to the ransomware incident, financial reporting and Adamas integration in 2022.

Amortization of Intangible Assets

Amortization of intangible assets was $20.6 million and $5.9 million for the three months ended June 30, 2022 and 2021, respectively. Amortization of intangible assets was $41.3 million and $12.0 million for the six months ended June 30, 2022 and 2021, respectively. The increase was due to amortization of the definite-lived intangible assets acquired in the Adamas Acquisition.

Contingent Consideration Expense (Gain)

The change in fair value of the contingent consideration liabilities was an expense of $0.7 million and a gain of $8.8 million for the three months ended June 30, 2022 and 2021, respectively. The change in fair value of the contingent consideration liabilities was an expense of $1.4 million and a gain of $7.7 million for the six months ended June 30, 2022 and 2021, respectively. The contingent consideration gain was primarily due to a reduction of the sales based contingent consideration liabilities associated with the USWM Acquisition and recorded in the second quarter of 2021, offset by an increase in the estimated fair value of regulatory and developmental milestones due to the passage of time. The Company assessed that these USWM Acquisition sales-based milestones will not be achieved based on revised net sales projections.

Other Income (Expense)

Other expense was $22.0 thousand and $2.9 million for the three months ended June 30, 2022 and 2021, respectively. The decrease was principally due to a decrease of $3.7 million in interest expense, partially offset by a decrease in interest and other income of $0.8 million. The decrease in interest expense was primarily related to the Company's adoption of ASU 2020-06 on January 1, 2022. As a result of the adoption, the Company no longer records interest expense on the previously recorded discount for the embedded conversion feature on the 2023 Notes. The decrease in interest and other income was primarily due to lower yields on marketable securities holdings in 2022.

Other income (expense) was income of $12.7 million and an expense of $5.2 million for the six months ended June 30, 2022 and 2021, respectively. The increase was primarily due to $12.9 million recognized in connection with the gain associated with the Navitor investment and a decrease in interest expense of $4.2 million primarily related to the Company's adoption of ASU 2020-06.

Income Tax (Benefit) Expense

Income tax expense was $3.5 million and $7.5 million for the three months ended June 30, 2022 and 2021, respectively. The decrease was mainly due to lower earnings before income taxes. The effective income tax rate was 30.5% and 24.1% for the three months ended June 30, 2022 and 2021, respectively. The effective income tax rate increase was primarily due to a non-taxable contingent consideration gain recognized in the second quarter of 2021.

Income tax benefit was $7.4 million and income tax expense was $12.7 million for the six months ended June 30, 2022 and 2021, respectively. The effective income tax rate was (28.5)% and 30.2% for the six months ended June 30, 2022 and 2021, respectively. Both changes were mainly due to tax benefits associated with the Adamas legal entities reorganization in the first quarter of 2022.

Liquidity and Capital Resources

We have financed our operations primarily with cash generated from product sales, supplemented by revenues from royalty and licensing arrangements, as well as proceeds from the sale of equity and debt securities. Continued cash generation is highly dependent on the success of our commercial products, as well as the success of our product candidates if approved by the FDA. While we expect continued profitability in future years, we anticipate there may be significant variability from year to year in the level of our profits particularly due to the commercial launch of Qelbree and the future commercial launch of SPN-830 (apomorphine infusion device), if approved by the FDA; continued market and payor pressures for our commercial products; and the likely unfavorable impact of the upcoming loss of patent exclusivity for Trokendi XR in January 2023, or sooner under certain conditions.

The Company believes its balances of cash, cash equivalents and unrestricted marketable securities, which totaled $508.2 million as of June 30, 2022, along with cash generated from ongoing operations and continued access to debt markets, will be sufficient to satisfy its cash requirements over the next 12 months and beyond.

We may, from time to time, consider raising additional capital through: new collaborative arrangements; strategic alliances; additional equity and/or debt financings; or financing from other sources, especially in conjunction with opportunistic business development initiatives. We will continue to actively manage our capital structure and to consider all financing opportunities that could strengthen our long-term financial profile. Any such capital raises may or may not be similar to transactions in which we have engaged in the past. There can be no assurance that any such financing opportunities will be available on acceptable terms, if at all.

Financial Condition

Cash and cash equivalents, marketable securities, and long-term marketable securities as of the periods presented below, are as follows (dollars in thousands):

	June 30, 2022	December 31, 2021	Change Amount	Change Percent
Cash and cash equivalents	$ 173,428	$ 203,434	$ (30,006)	(15)%
Marketable securities	187,359	136,246	51,113	38%
Long-term marketable securities	147,373	119,166	28,207	24%
Total	$ 508,160	$ 458,846	$ 49,314	11%

Total cash and cash equivalents, marketable securities and long-term marketable securities increased by $49.3 million in the first six months of 2022, primarily due to cash generated from ongoing operations.

As of June 30, 2022 and December 31, 2021, the outstanding principal on our 0.625% Convertible Senior Notes Due 2023 (2023 Notes) was $402.5 million. No 2023 Notes have been converted as of June 30, 2022. We have reclassified the debt from long-term to current liabilities on our *Condensed Consolidated Balance Sheet*, as the debt matures in less than twelve months as of June 30, 2022. There were no changes to the separate convertible note hedge transactions (collectively, the Convertible Note Hedge Transactions) and separate warrant transactions (the Warrant Transactions). Refer to Part I, Item 1, Unaudited Condensed Financial Statements, Note 9, *Convertible Senior Notes Due 2023*, in the Notes to the Condensed Consolidated Financial Statements, for further discussion of the 2023 Notes and our other indebtedness.

Summary of Cash Flows

The following table summarizes the major sources and uses of cash for the periods set forth below (dollars in thousands):

	Six Months Ended June 30, 2022		Change
	2022	2021	Amount
Net cash provided by (used in):			
Operating activities	$ 75,421	$ 82,474	$ (7,053)
Investing activities	(85,666)	(152,339)	66,673
Financing activities	(19,761)	4,996	(24,757)
Net change in cash and cash equivalents	$ (30,006)	$ (64,869)	$ 34,863

Operating Activities

Net cash provided by operating activities was $75.4 million and $82.5 million for the six months ended June 30, 2022, and 2021, respectively. The decrease in cash flows provided by operating activities was primarily due to changes in working capital which reflects the timing impacts of cash collections on receivables and settlement of payables.

Investing Activities

Net cash used in investing activities was $85.7 million for the six months ended June 30, 2022, as compared to $152.3 million for the same period in 2021. Net cash used in investing activities primarily reflect cash flows from purchase, sale and maturities of marketable securities.

Financing Activities

Net cash used in financing activities was $19.8 million for the six months ended June 30, 2022 compared to net cash provided by financing activities of $5.0 million for the same period in prior year. The change was primarily due to the payment of a contingent consideration milestone associated with the USWM Acquisition and lower proceeds from the issuance of common stock.

Material Cash Requirements

Refer to “Part II, Item 7 — Management’s Discussion and Analysis of Liquidity and Capital Resources”, of our Annual Report on Form 10-K for the year ended December 31, 2021, and Note 16, *Commitments and Contingencies*, in the Notes to the

Condensed Consolidated Financial Statements in Part I, Item 1, Unaudited Condensed Consolidated Financial Statements, of this Quarterly Report on Form 10-Q for the discussion of our contractual obligations.

Recently Issued Accounting Pronouncements

For a discussion of new accounting pronouncements, see Note 2 in the Notes to the Condensed Consolidated Financial Statements in Part I, Item 1, Unaudited Condensed Consolidated Financial Statements, of this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The primary objective of our investment activities is to preserve our capital to fund operations and to facilitate business development activities. We also seek to maximize income from our investments without assuming significant interest rate risk, liquidity risk, or risk of default by investing in investment grade securities with maturities of four years or less. Our exposure to market risk is confined to investments in cash, cash equivalents, marketable securities, and long-term marketable securities. As of June 30, 2022, we had unrestricted cash, cash equivalents, marketable securities, and long-term marketable securities of $508.2 million.

In connection with the 2023 Notes, we have separately entered into Convertible Note Hedge Transactions and Warrant Transactions to reduce the potential dilution of the Company’s common stock upon conversion of the 2023 Notes, and to partially offset the cost to purchase the Convertible Note Hedge Transactions, respectively.

Our cash and cash equivalents consist primarily of cash held at banks and investments in highly liquid financial instruments with an original maturity of three months or less. Our marketable securities as of June 30, 2022, which are reported at fair value, consist of money market funds; corporate and municipal debt securities; and other fixed income securities. All our investments in marketable securities are in the form of debt securities issued by governmental, corporate, and financial institutions whose debt is rated as investment grade and have maturities of one to four years. Because of the relatively short period that we hold our investments and because we generally hold these securities to maturity, we do not believe that a change in interest rates would have any significant impact on the realizable value of our investments. We do not have any currency or other derivative financial instruments other than outstanding warrants to purchase common stock and the convertible note hedges.

We may contract with clinical research organizations (CROs), investigational sites and contract manufacturing organizations (CMOs) globally. Currently, we have ongoing clinical trials for certain product candidates outside the U.S. We do not hedge our foreign currency exchange rate risk. Transactions denominated in currencies other than the U.S. dollar are recorded based on exchange rates at the time such transactions arise. As of June 30, 2022 and December 31, 2021, substantially all of our liabilities were denominated in the U.S. dollar.

Inflation generally affects us by increasing our cost of labor, cost of purchased goods, and the cost of services provided by our vendors. We do not believe that inflation and changing prices over the six months ended June 30, 2022 and 2021 had a significant impact on our consolidated results of operations. However, in the future, inflation may have an effect on our consolidated results of operations.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures required by Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in the reports we file or submit under the Exchange Act has been appropriately recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our CEO and CFO, to allow timely decisions regarding required disclosure. We conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2022, the end of the period covered by this report. Based on that evaluation, under the supervision and with the participation of our management, including our CEO and CFO, we concluded that our disclosure controls and procedures were not effective as of June 30, 2022 due to the continued material weaknesses in our internal control over financial reporting as described in our Annual Report on Form 10-K as of December 31, 2021, (the "Form 10-K") and our Quarterly Report on Form 10-Q as of March 31, 2022 (the "Form 10-Q").

In light of the identified material weaknesses, we performed additional analyses and other procedures to ensure that the condensed consolidated financial statements included in this quarterly report on Form 10-Q present fairly, in all material respects,

the Company's financial position, results of operations and cash flows for the periods disclosed in conformity with U.S. generally accepted accounting principles (U.S. GAAP).

As discussed in Note 3 in the Notes to the Condensed Consolidated Financial Statements in Part I, Item 1, of this report, the Company completed its acquisition of Adamas Pharmaceuticals, Inc. (Adamas), a publicly traded biopharmaceutical company (Adamas Acquisition) on November 24, 2021. We are in the process of integrating Adamas with our controls over financial reporting. As such, the scope of our assessment of the effectiveness of our disclosure control and procedures as of June 30, 2022 did not include the internal control over financial reporting of Adamas, as permitted by the guidance of the Office of the Chief Accountant of the SEC (not to extend more than one year beyond the date of acquisition or for more than one annual reporting period).

Remediation of Material Weaknesses

Management is actively remediating the identified material weaknesses, and is committed to remediating the material weaknesses in a timely manner. Our remediation process is ongoing and includes the following steps, but is not limited to, the following:

(a) accelerated implementation of a new ERP system to reduce resource constraints and to automate certain processes that were being performed manually as a result of the ransomware attack;

(b) re-evaluation of all controls, including redesigning controls and control procedures, performing risk assessment procedures, as well as adding new controls as necessary;

(c) continue to actively recruit personnel or hire consultants that have requisite knowledge, experience, and expertise over financial reporting and internal control over financial reporting as well as continue to evaluate our current and future staffing needs to add personnel and/or create new roles to address our needs; and

(d) training/re-training, monitoring, and enhancing communication of control objectives to hired employees and contractors on internal control over financial reporting.

As of June 30, 2022, we have taken steps to remediate the material weaknesses, including the performance of risk assessment procedures, which is ongoing, and the implementation of a new ERP system, which went live during the second quarter of 2022. While we believe the steps we have undertaken so far will improve our internal control over financial reporting, the design and implementation of our remediation is ongoing and will require validation and testing of the design and operating effectiveness of our internal controls over a sustained period of financial reporting cycles.

While the audit committee of our board of directors and senior management are closely monitoring the remediation efforts, until the remediation efforts discussed in this section, including any additional remediation efforts that our senior management identifies as necessary, are completed, tested and determined effective, we will not be able to conclude that the material weaknesses have been remediated. In addition, we will continue to incur incremental costs associated with this remediation, primarily due to the hiring and training of additional personnel, and the improvements in our IT infrastructure. The material weaknesses will not be considered remediated until the above system, controls and personnel are in place for a period of time, the applicable controls operate for a sufficient period of time and management concludes based on its testing and evaluation that these controls are properly designed and operating effectively.

Changes in Internal Control over Financial Reporting

Our management, including our CEO and CFO, evaluated changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2022.

As the integration of Adamas as well as the remediation of the material weaknesses continues in 2022, we are implementing certain changes to our processes and procedures, which may result in changes to our internal control over financial reporting. Management has expanded its oversight of our internal control over financial reporting during this period,

Except for: 1) the above noted and previously reported material weaknesses and the related ongoing remediation activities described above, and 2) the ongoing integration of Adamas, there were no other changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rule 13a-15 that occurred during the quarter ended June 30, 2022 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

From time to time and in the ordinary course of business, Supernus Pharmaceuticals, Inc. ("Company") and any of its subsidiaries may be subject to various claims, charges and litigation. Parent and any of its subsidiaries may be required to file infringement claims against third parties for the infringement of our patents.

Oxtellar XR®

Supernus Pharmaceuticals, Inc. v. Apotex Inc., et al., C.A. No. 20-cv-7870 (FLW)(TJB) (D.N.J.)

The Company received a Paragraph IV Notice Letter from generic drug makers Apotex Inc. and Apotex Corp. (collectively, "Apotex") dated May 13, 2020 directed to nine of its Oxtellar XR® Orange Book patents. Supernus's U.S. Patent Nos. 7,722,898; 7,910,131; 8,617,600; 8,821,930; 9,119,791; 9,351,975; 9,370,525; 9,855,278; and 10,220,042 generally cover once-a-day oxcarbazepine formulations and methods of treating seizures using those formulations. The FDA Orange Book lists all nine of the Company's Oxtellar XR® patents as expiring on April 13, 2027. On June 26, 2020, the Company filed a lawsuit against Apotex alleging infringement of the Company's nine patents. The Complaint—filed in the U.S. District Court for the District of New Jersey—alleges, inter alia, that Apotex infringed the Company's Oxtellar XR® patents by submitting to the FDA an Abbreviated New Drug Application ("ANDA") seeking to market a generic version of Oxtellar XR® prior to the expiration of the Company's patents. Filing its June 26, 2020 Complaint within 45 days of receiving Apotex's Paragraph IV certification notice entitles Supernus to an automatic stay preventing the FDA from approving Apotex's ANDA for 30 months from the date of the Company's receipt of the Paragraph IV Notice Letter. On September 4, 2020, Apotex answered the Complaint and denied the substantive allegations of the Complaint, asserting affirmative defenses that include non-infringement and invalidity. Apotex also asserted Counterclaims seeking declaratory judgments of non-infringement for the nine Oxtellar XR® Orange Book patents. On October 30, 2020, the Company filed its Reply, denying the substantive allegations of Apotex's Counterclaims. On January 27, 2022, the Court issued an Order staying all litigation proceedings and administratively terminated the action. The Court lifted the stay on July 1, 2022. Pursuant to the Court's January 27, 2022 and July 1, 2022 Orders, the 30-month Stay was extended by 152 days from November 14, 2022 to April 15, 2023. On August 1, 2022, following the parties submission of a proposed consolidation order and schedule for resumption of the case, the Court entered the proposed order consolidating this case with Supernus Pharmaceutical, Inc. v. Apotex Inc. and Apotex Corp., No. 22-cv-322. Pretrial discovery is ongoing as of the date of this submission.

Supernus Pharmaceuticals, Inc. v. Apotex Inc., et al., C.A. No. 3:22-cv-00322-FLW-TJB (FLW)(TJB) (D.N.J.)

The Company received a Paragraph IV Notice Letter from generic drug makers Apotex Inc. and Apotex Corp. (collectively, "Apotex") dated December 10, 2021 directed to one of its Oxtellar XR® Orange Book patents. Supernus's U.S. Patent No. 11,166,960 generally covers once-a-day oxcarbazepine formulations and methods of treating seizures using those formulations. The FDA Orange Book lists U.S. Patent No. 11,166,960 as expiring on April 13, 2027. On January 24, 2022, the Company filed a lawsuit against Apotex alleging infringement of U.S. Patent No. 11,166,960. The Complaint—filed in the U.S. District Court for the District of New Jersey—alleges, inter alia, that Apotex infringed the Company's Oxtellar XR® patent by submitting to the FDA an Abbreviated New Drug Application ("ANDA") seeking to market a generic version of Oxtellar XR® prior to the expiration of U.S. Patent No. 11,166,960. On January 27, 2022, in related Civil Action No. 20-cv-7870 (FLW)(TJB) (D.N.J.), the Court issued an Order staying all litigation proceedings and administratively terminated that related action. That Order further indicated that this action, i.e., Civil Action No. 22-cv-00322 (FLW)(TJB) (D.N.J.), will also be stayed. The Court lifted the stay of both actions on July 1, 2022. Pursuant to the Court's January 27, 2022 and July 1, 2022 Orders, the 30-month Stay was extended by 152 days from November 14, 2022 to April 15, 2023. On August 1, 2022, following the parties submission of a proposed consolidation order and schedule for resumption of the case, the Court entered the proposed order consolidating this case with Supernus Pharmaceutical, Inc. v. Apotex Inc. and Apotex Corp., No. 20-cv-7870. Pretrial discovery is ongoing as of the date of this submission.

Supernus Pharmaceuticals, Inc. v. RiconPharma LLC, et al., C.A. No. 21-cv-12133 (FLW)(TJB) (D.N.J.)

The Company received a Paragraph IV Notice Letter from generic drug maker RiconPharma LLC dated April 20, 2021 directed to nine of its Oxtellar XR® Orange Book patents. Supernus's U.S. Patent Nos. 7,722,898; 7,910,131; 8,617,600; 8,821,930; 9,119,791; 9,351,975; 9,370,525; 9,855,278; and 10,220,042 generally cover once-a-day oxcarbazepine formulations and methods of treating seizures using those formulations. The FDA Orange Book lists all nine of the Company's Oxtellar XR® patents as expiring on April 13, 2027. On June 3, 2021, the Company filed a lawsuit against RiconPharma LLC and Ingenus Pharmaceuticals, LLC (collectively, "Ricon") alleging infringement of the Company's nine Oxtellar XR® patents. The Complaint—filed in the U.S. District Court for the District of New Jersey—alleges, inter alia, that Ricon infringed the Company's

Oxtellar XR® patents by submitting to the FDA an Abbreviated New Drug Application ("ANDA") seeking to market a generic version of Oxtellar XR® prior to the expiration of the Company's patents. Filing its June 3, 2021 Complaint within 45 days of receiving Ricon's Paragraph IV certification notice entitles Supernus to an automatic stay preventing the FDA from approving Ricon's ANDA for 30 months from the date of the Company's receipt of the Paragraph IV Notice Letter. On August 30, 2021, Ricon answered the Complaint and denied the substantive allegations of the Complaint, asserting affirmative defenses that include non-infringement and invalidity. Ricon also asserted Counterclaims seeking declaratory judgments of non-infringement for the nine Oxtellar XR® Orange Book patents. Supernus filed a motion to strike the jury demand in Ricon's answer. On December 6, 2021, the Court signed an Order withdrawing the Jury demand from Ricon's answer. On December 13, 2021, Ricon filed an amended Answer to Supernus's Complaint. On December 15, 2021, the Company filed its reply, denying the substantive allegations of Ricon's Counterclaims. Following the initial Rule 16 Scheduling Conference, the Court issued a case schedule that provides for the Final Pretrial Order being submitted on June 9, 2023, and a trial in July 2023. Pretrial discovery is ongoing as of the date of this submission.

Trokendi XR®

Supernus Pharmaceuticals, Inc. v. Ajanta Pharma Limited, et al., C.A. No. 21-cv-6964 (GC)(LHG) (D.N.J.)

The Company received a Paragraph IV Notice Letter from generic drug maker Ajanta Pharma Limited dated February 10, 2021 directed to ten of its Trokendi XR® Orange Book patents. Supernus's U.S. Patent Nos. 8,298,576; 8,298,580; 8,663,683; 8,877,248; 8,889,191; 8,992,989; 9,549,940; 9,555,004; 9,622,983; and 10,314,790 generally cover once-a-day topiramate formulations and methods of treating or preventing seizures and migraines using those formulations. The FDA Orange Book currently lists United States Patent No. 8,298,576 as expiring on April 4, 2028 and United States Patent Nos. 8,298,580; 8,663,683; 8,877,248; 8,889,191; 8,992,989; 9,549,940; 9,555,004; 9,622,983; and 10,314,790 as expiring on November 16, 2027. On March 26, 2021, the Company filed a lawsuit against Ajanta Pharma Limited and Ajanta Pharma USA Inc. (collectively "Ajanta") alleging infringement of the Company's Trokendi XR® Orange Book patents. The Complaint—filed in the U.S. District Court for the District of New Jersey—alleges, inter alia, that Ajanta infringed the Company's Trokendi XR® patents by submitting to the FDA an Abbreviated New Drug Application ("ANDA") seeking to market a generic version of Trokendi XR® prior to the expiration of the Company's patents. Filing its March 26, 2021 Complaint within 45 days of receiving Ajanta's Paragraph IV certification notice entitles Supernus to an automatic stay preventing the FDA from approving Ajanta's ANDA for 30 months from the date of the Company's receipt of the Paragraph IV Notice Letter. On June 7, 2021, Ajanta answered the Complaint and denied the substantive allegations of the Complaint, asserting affirmative defenses that include non-infringement and invalidity. Ajanta also asserted Counterclaims seeking declaratory judgments of non-infringement and invalidity for the Trokendi XR® Orange Book patents. On June 28, 2021, the Company filed its reply, denying the substantive allegations of Ajanta's Counterclaims. Following the initial Rule 16 Scheduling Conference, the Court issued a case schedule. On December 17, 2021, the Court issued an order consolidating this lawsuit and the lawsuit against Torrent, discussed below, under which this lawsuit is the lead case and the 30 month stay preventing the FDA from approving Ajanta's ANDA was extended to December 16, 2023. Under the amended scheduling order, the Final Pretrial Conference is set for April 24, 2023. A trial date has not been set. Pretrial discovery is ongoing as of the date of this submission.

Supernus Pharmaceuticals, Inc. v. Torrent Pharmaceuticals Ltd., et al., C.A. No. 21-cv-14268 (GC)(LHG) (D.N.J.)

The Company received a Paragraph IV Notice Letter from generic drug maker Torrent Pharmaceuticals Ltd. dated June 15, 2021 directed to ten of its Trokendi XR® Orange Book patents. Supernus's U.S. Patent Nos. 8,298,576; 8,298,580; 8,663,683; 8,877,248; 8,889,191; 8,992,989; 9,549,940; 9,555,004; 9,622,983; and 10,314,790 generally cover once-a-day topiramate formulations and methods of treating or preventing seizures and migraines using those formulations. The FDA Orange Book currently lists United States Patent No. 8,298,576 as expiring on April 4, 2028 and United States Patent Nos. 8,298,580; 8,663,683; 8,877,248; 8,889,191; 8,992,989; 9,549,940; 9,555,004; 9,622,983; and 10,314,790 as expiring on November 16, 2027. On July 28, 2021, the Company filed a lawsuit against Torrent Pharmaceuticals Ltd. and Torrent Pharma Inc. (collectively, "Torrent") alleging infringement of the Company's Trokendi XR® Orange Book patents. The Complaint—filed in the U.S. District Court for the District of New Jersey—alleges, inter alia, that Torrent infringed the Company's Trokendi XR® patents by submitting to the FDA an Abbreviated New Drug Application ("ANDA") seeking to market a generic version of Trokendi XR® prior to the expiration of the Company's patents. Filing its July 28, 2021 Complaint within 45 days of receiving Torrent's Paragraph IV certification notice entitles Supernus to an automatic stay preventing the FDA from approving Torrent's ANDA for 30 months from the date of the Company's receipt of the Paragraph IV Notice Letter. On September 29, 2021, Torrent answered the Complaint and denied the substantive allegations of the Complaint, asserting affirmative defenses that include non-infringement and invalidity. Torrent also asserted Counterclaims seeking declaratory judgments of non-infringement for the Trokendi XR® Orange Book patents. On November 3, 2021, the Company filed its reply, denying the substantive allegations of Torrent's Counterclaims. Following the initial Rule 16 Scheduling Conference, the Court issued a case schedule. On December 17, 2021, the Court issued an order consolidating this lawsuit with the lawsuit against Ajanta, discussed above, under which the

Ajanta lawsuit is the lead case. Under the amended scheduling order, the Final Pretrial Conference is set for April 24, 2023. A trial date has not been set. Pretrial discovery is ongoing as of the date of this submission.

Supernus Pharmaceuticals, Inc. v. Lupin Limited, et al., C.A. No. 21-cv-1293 (MN) (D. Del.)

The Company received a Paragraph IV Notice Letter from generic drug maker Lupin Limited dated July 29, 2021 directed to ten of its Trokendi XR® Orange Book patents. Supernus's U.S. Patent Nos. 8,298,576; 8,298,580; 8,663,683; 8,877,248; 8,889,191; 8,992,989; 9,549,940; 9,555,004; 9,622,983; and 10,314,790 generally cover once-a-day topiramate formulations and methods of treating or preventing seizures and migraines using those formulations. The FDA Orange Book currently lists United States Patent No. 8,298,576 as expiring on April 4, 2028 and United States Patent Nos. 8,298,580; 8,663,683; 8,877,248; 8,889,191; 8,992,989; 9,549,940; 9,555,004; 9,622,983; and 10,314,790 as expiring on November 16, 2027. On September 10, 2021, the Company filed a lawsuit against Lupin Limited, Lupin Atlantis Holdings S.A., Nanomi B.V., Lupin Inc., and Lupin Pharmaceuticals, Inc. (collectively, "Lupin") alleging infringement of the Company's Trokendi XR® Orange Book patents. The Complaint—filed in the U.S. District Court for the District of Delaware—alleges, inter alia, that Lupin infringed the Company's Trokendi XR® patents by submitting to the FDA an Abbreviated New Drug Application ("ANDA") seeking to market a generic version of Trokendi XR® prior to the expiration of the Company's patents. Filing its September 10, 2021 Complaint within 45 days of receiving Lupin's Paragraph IV certification notice entitles Supernus to an automatic stay preventing the FDA from approving Lupin's ANDA for 30 months from the date of the Company's receipt of the Paragraph IV Notice Letter. On December 20, 2021, Lupin answered the Complaint and denied the substantive allegations of the Complaint, asserting affirmative defenses that include non-infringement and invalidity. Lupin also asserted Counterclaims seeking declaratory judgments of non infringement and invalidity for the Trokendi XR® Orange Book patents. On January 10, 2022, the Company filed its reply, denying the substantive allegations of Lupin's Counterclaims. On February 25, 2022, the Court issued a scheduling order that provides for the Final Pretrial Order being submitted on June 6, 2023, and a trial beginning on June 20, 2023. Pretrial discovery is ongoing as of the date of this submission.

Supernus Pharmaceuticals, Inc. v. Zydus Pharmaceuticals (USA) Inc., et al., C.A. No. 21-cv-17104 (GC)(LHG) (D.N.J.)

The Company received a Paragraph IV Notice Letter from generic drug maker Zydus Pharmaceuticals (USA) Inc. dated August 5, 2021 directed to ten of its Trokendi XR® Orange Book patents. Supernus's U.S. Patent Nos. 8,298,576; 8,298,580; 8,663,683; 8,877,248; 8,889,191; 8,992,989; 9,549,940; 9,555,004; 9,622,983; and 10,314,790 generally cover once-a-day topiramate formulations and methods of treating or preventing seizures and migraines using those formulations. The FDA Orange Book currently lists United States Patent No. 8,298,576 as expiring on April 4, 2028 and United States Patent Nos. 8,298,580; 8,663,683; 8,877,248; 8,889,191; 8,992,989; 9,549,940; 9,555,004; 9,622,983; and 10,314,790 as expiring on November 16, 2027. On September 17, 2021, the Company filed a lawsuit against Zydus Pharmaceuticals (USA) Inc. and Cadila Healthcare Limited (collectively, "Zydus") alleging infringement of the Company's Trokendi XR® Orange Book patents. The Complaint—filed in the U.S. District Court for the District of New Jersey—alleges, inter alia, that Zydus infringed the Company's Trokendi XR® patents by submitting to the FDA an Abbreviated New Drug Application ("ANDA") seeking to market a generic version of Trokendi XR® prior to the expiration of the Company's patents. Filing its September 17, 2021 Complaint within 45 days of receiving Zydus's Paragraph IV certification notice entitles Supernus to an automatic stay preventing the FDA from approving Zydus's ANDA for 30 months from the date of the Company's receipt of the Paragraph IV Notice Letter. The August 5, 2021 Paragraph IV Notice Letter from Zydus Pharmaceuticals (USA) Inc. concerns Zydus's proposed generic equivalent of the 200 mg strength of Trokendi XR®.[1] The August 5, 2021 Paragraph IV Notice Letter referenced herein does not concern the same ANDA as the one that was at issue in the previous lawsuit. On December 28, 2021, Zydus answered the Complaint and denied the substantive allegations of the Complaint, asserting affirmative defenses that include non-infringement and invalidity. On April 29, 2022, the Court issued a scheduling order that provides for the Final Pretrial Order being submitted on October 5, 2023, and a trial beginning on November 7, 2023. Pretrial discovery is ongoing as of the date of this submission.

Supernus Pharmaceuticals, Inc. v. Alkem Laboratories Ltd., C.A. No. 22-cv-03511 (EEB)(SRH) (N.D. Ill.)

The Company received a Paragraph IV Notice Letter from generic drug maker Alkem Laboratories Ltd. dated May 25, 2022 directed to ten of its Trokendi XR® Orange Book patents. Supernus's U.S. Patent Nos. 8,298,576; 8,298,580; 8,663,683; 8,877,248; 8,889,191; 8,992,989; 9,549,940; 9,555,004; 9,622,983; and 10,314,790 generally cover once-a-day topiramate formulations and methods of treating or preventing seizures and migraines using those formulations. The FDA Orange Book

[1] Previously, the Company was in a lawsuit against Zydus Pharmaceuticals (USA) Inc. and Cadila Healthcare Limited concerning an Abbreviated New Drug Application ("ANDA") for Zydus's proposed generic equivalents of the 25 mg, 50 mg, and 100 mg strengths of Trokendi XR®. A settlement agreement was entered into between the Company and Zydus Pharmaceuticals (USA) Inc. and Cadila Healthcare Limited concerning the previous lawsuit. *See* https://www.sec.gov/Archives/edgar/data/1356576/000110465917031191/a17-10293_1ex10d1.htm.

currently lists United States Patent No. 8,298,576 as expiring on April 4, 2028 and United States Patent Nos. 8,298,580; 8,663,683; 8,877,248; 8,889,191; 8,992,989; 9,549,940; 9,555,004; 9,622,983; and 10,314,790 as expiring on November 16, 2027. On July 6, 2022, the Company filed a lawsuit against Alkem Laboratories Ltd. (“Alkem”) alleging infringement of the Company’s Trokendi XR® Orange Book patents. The Complaint—filed in the U.S. District Court for the Northern District of Illinois—alleges, inter alia, that Alkem infringed the Company’s Trokendi XR® patents by submitting to the FDA an Abbreviated New Drug Application (“ANDA”) seeking to market a generic version of Trokendi XR® prior to the expiration of the Company’s patents. Filing its July 6, 2022 Complaint within 45 days of receiving Alkem’s Paragraph IV certification notice entitles Supernus to an automatic stay preventing the FDA from approving Alkem’s ANDA for 30 months from the date of the Company’s receipt of the Paragraph IV Notice Letter. As of the date of this submission, Alkem has not answered the Complaint.

Supernus Pharmaceuticals, Inc. v. Dr. Reddy's Laboratories, Ltd., et al., C.A. No. 22-cv-4705 (GC)(LHG) (D.N.J.)

The Company received a Paragraph IV Notice Letter from generic drug makers Dr. Reddy’s Laboratories Ltd. and Dr. Reddy’s Laboratories, Inc. dated June 9, 2022 directed to ten of its Trokendi XR® Orange Book patents. Supernus’s U.S. Patent Nos. 8,298,576; 8,298,580; 8,663,683; 8,877,248; 8,889,191; 8,992,989; 9,549,940; 9,555,004; 9,622,983; and 10,314,790 generally cover once-a-day topiramate formulations and methods of treating or preventing seizures and migraines using those formulations. The FDA Orange Book currently lists United States Patent No. 8,298,576 as expiring on April 4, 2028 and United States Patent Nos. 8,298,580; 8,663,683; 8,877,248; 8,889,191; 8,992,989; 9,549,940; 9,555,004; 9,622,983; and 10,314,790 as expiring on November 16, 2027. On July 22, 2022, the Company filed a lawsuit against Dr. Reddy’s Laboratories Ltd. and Dr. Reddy’s Laboratories, Inc. (collectively, “DRL”) alleging infringement of the Company’s Trokendi XR® Orange Book patents. The Complaint—filed in the U.S. District Court for the District of New Jersey—alleges, inter alia, that DRL infringed the Company’s Trokendi XR® patents by submitting to the FDA an Abbreviated New Drug Application (“ANDA”) seeking to market a generic version of Trokendi XR® prior to the expiration of the Company’s patents. Filing its July 22, 2022 Complaint within 45 days of receiving DRL’s Paragraph IV certification notice entitles Supernus to an automatic stay preventing the FDA from approving DRL’s ANDA for 30 months from the date of the Company’s receipt of the Paragraph IV Notice Letter. As of the date of this submission, DRL has not answered the Complaint.

XADAGO®

On June 10, 2021, Newron Pharmaceuticals S.p.A. ("Newron"), Zambon S.p.A. ("Zambon") and Supernus Pharmaceuticals, Inc. (the "Company"), through its subsidiary MDD US Operations, LLC (collectively, "Plaintiffs"), initiated litigation against generic drug makers Aurobindo Pharma Limited, Aurobindo Pharma USA Inc., MSN Laboratories Private Limited ("MSN"), Optimus Pharma Pvt Ltd, Prinston Pharmaceutical, Inc., RK Pharma, Inc. and Zenara Pharma Private Limited (collectively, "Defendants") for infringement of three FDA Orange Book patents covering XADAGO®, the Company's once-daily product indicated as adjunctive treatment to levodopa/carbidopa in patients with Parkinson's Disease experiencing "off" episodes. U.S. Patent Nos. 8,076,515, 8,278,485 and 8,283,380 (collectively, the "XADAGO Patents") cover the pharmaceutical formulation of and methods of treatment with safinamide. The XADAGO Patents expire between June 2027 and March 2031. The Company has a license agreement with Zambon, Newron's partner, related to the XADAGO Patents, and as a new chemical entity, XADAGO was under the 5-year FDA exclusivity period that expired on March 21, 2022. The Complaint - filed in the U.S. District Court for the District of Delaware - alleges that the Defendants infringed the XADAGO Patents by submitting to the U.S. Food and Drug Administration (FDA) Abbreviated New Drug Applications (ANDAs) seeking to market a generic versions of XADAGO prior to the expiration of the patents. Filing the Complaint within 45 days of receiving each of the Defendants' Paragraph IV notice letters entitles the Plaintiffs to an automatic stay preventing the FDA from approving the Defendants' ANDAs for 30 months from the date of the Plaintiffs' receipt of the Paragraph IV Notice Letters. The parties agreed on a case schedule. A trial has been set for January 8, 2024. On March 22, 2022, defendant Optimus Pharma Pvt Ltd. was dismissed from the case without prejudice. Fact discovery is ongoing with the remaining defendants. A claim construction hearing is set for August 22, 2022.

Adamas Litigation

In November 2012, Adamas Pharmaceuticals, Inc. (Adamas) granted Forest Laboratories Holdings Limited, an indirect wholly-owned subsidiary of Allergan plc (Forest), an exclusive license to certain of Adamas's intellectual property rights relating to human therapeutics containing memantine in the United States. Under the terms of that license agreement, Forest has the right to enforce such intellectual property rights which are related to its right to market and sell Namzaric and NAMENDA XR for the treatment of moderate to severe dementia related to Alzheimer's disease. Adamas has a right to participate in, but not control, such enforcement actions by Forest.

Since 2018 multiple generic companies have launched generic versions of NAMENDA XR. A number of companies have submitted ANDAs including one or more certifications to the FDA, pursuant to 21 U.S.C. § 355(j)(2)(A)(vii)(iv), requesting

approval to manufacture and market generic versions of Namzaric, on which Adamas became entitled to receive royalties from Forest beginning in May 2020.

Adamas and Forest have settled with all such Namzaric ANDA filers, including all first filers on all the available dosage forms of Namzaric. Subject to those agreements, the earliest date on which any of these agreements grant a license to market a Namzaric ANDA filer's generic version of Namzaric is January 1, 2025 (or earlier in certain circumstances). Alternatively, the Namzaric ANDA filers with the earliest date have the option to launch an authorized generic version of Namzaric beginning on January 1, 2026 instead of launching their own generic version of Namzaric on January 1, 2025. Adamas and Forest intend to continue to enforce the patents associated with Namzaric.

On April 1, 2019, Adamas was served with a complaint filed in the United States District Court for the Northern District of California (Case No. 3:18-cv-03018-JCS) against it and several Forest and Allergan entities alleging violations of federal and state false claims acts (FCA) in connection with the commercialization of NAMENDA XR and Namzaric by Allergan. The lawsuit is a qui tam complaint brought by a named individual, Zachary Silbersher, asserting rights of the Federal government and various state governments. The lawsuit was originally filed in May 2018 under seal, and Adamas became aware of the lawsuit when it was served. The complaint alleges that patents held by Allergan and Adamas covering NAMENDA XR and Namzaric were procured through fraud on the United States Patent and Trademark Office and that these patents were asserted against potential generic manufacturers of NAMENDA XR and Namzaric to prevent the generic manufacturers from entering the market, thereby wrongfully excluding generic competition resulting in artificially high prices being charged to government payors.

Adamas's patents in question were licensed exclusively to Forest. The complaint includes a claim for damages of “potentially more than $2.5 billion dollars,” treble damages and statutory penalties. To date the federal and state governments have declined to intervene in this action. This case is currently stayed pending Adamas's and Allergan's interlocutory appeal of the District Court's December 11, 2020 order denying Adamas's and Allergan's motions to dismiss the complaint. The appeal is pending in the United States Court of Appeals for the Ninth Circuit (Case No. 21-80005). Argument was held on January 10, 2022 and no decision has been reached as of the date of this filing.

On December 10, 2019, a putative class action lawsuit alleging violations of the federal securities laws was filed by Ali Zaidi against Adamas and certain of Adamas's former directors and officers in federal court in the Northern District of California (Case No. 4:19-cv-08051). This lawsuit alleges violations of the Securities Exchange Act of 1934 by Adamas and certain of Adamas's former directors and officers. On October 8, 2021, the presiding judge dismissed the litigation, and granted Plaintiffs leave to amend their complaint. On November 5, 2021, Plaintiffs filed their second amended class action complaint. On December 10, 2021, Adamas filed a motion to dismiss the Second Amended Complaint. Plaintiffs opposed the motion to dismiss. The motion to dismiss remains pending.

On March 16, 2020, a shareholder derivative lawsuit was filed by Patrick Van Camp in federal court in the Northern District of California (Case No. 4:20-cv-01815) naming Adamas and certain of Adamas's former directors and officers as defendants. This lawsuit alleges certain of Adamas's former directors and officers breached fiduciary duties and violated the Securities Exchange Act of 1934. Adamas is named as a nominal defendant only. On April 6, 2020, another, virtually identical, shareholder derivative lawsuit was filed by James Druzbik in federal court in the Northern District of California (Case No. 4:20- cv-02320) naming Adamas and certain of Adamas's former directors and officers as defendants. This lawsuit contains the same allegations, claims, and defendants as the first derivative action. Adamas is named as a nominal defendant only. In both actions, Plaintiffs seek unspecified monetary damages and other relief. These actions have been consolidated and are stayed pending resolution of the Zaidi class action.

Adamas believes it has strong factual and legal defenses to all actions and intends to defend itself vigorously.

Item 1A. Risk Factors

Any investment in our business involves a high degree of risk. Before making an investment decision, you should carefully consider the information we include in this Quarterly Report on Form 10-Q, including our condensed consolidated financial statements and related notes; the additional information in the other reports we file with the Securities and Exchange Commission; and the risks described in our Annual Report on Form 10-K for the year ended December 31, 2021 and on this Quarterly Report on Form 10-Q for the period ended June 30, 2022. These risks may result in material harm to our business and our financial condition and results of operations. If a material, adverse event were to occur, the market price of our common stock may decline and you could lose part or all of your investment.

General Risk Factors

Unstable market and economic conditions may have serious adverse consequences on our business, financial condition and stock price.

As a result of the ongoing COVID-19 pandemic, economic conditions and other geopolitical events, the global credit and financial markets have experienced extreme volatility and disruptions, which has included severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, and increases in inflation and uncertainty about economic stability. The financial markets, global economy and supply chains have and may continue to be adversely affected by the pandemic, economic conditions and current or anticipated geopolitical events, including the impact of military conflicts, sanctions imposed in response to such conflicts, and any economic countermeasures by the affected countries or others could exacerbate market and economic instability. There can be no assurance that further deterioration in supply chains, credit and financial markets and confidence in economic conditions will not occur. Our general business strategy may be adversely affected by any such economic downturn, volatile business environment, inflationary economic environment or continued unpredictable and unstable market conditions, including disruption to enrollment within our ongoing clinical trials and our ability to purchase necessary supplies on acceptable terms, if at all, and increased costs in compensation levels to recruit and retain qualified personnel and to carry out ongoing and future clinical trials. If the current equity and credit markets deteriorate, it may make any necessary debt or equity financing more difficult, more costly and more dilutive. Failure to secure any necessary financing in a timely manner and on favorable terms could have a material adverse effect on our growth strategy, financial performance and stock price and could require us to delay or abandon clinical development plans. In addition, there is a risk that one or more of our current service providers, suppliers or other partners may not survive an economic downturn or rising inflation, which could directly affect our ability to attain our operating goals on schedule and on budget.

Risks Related to Our Finances and Capital Requirements

Our operating results may fluctuate significantly.

We expect that any revenue we generate will fluctuate from quarter to quarter and year to year as a result of the revenue generated from approved products, our license agreements, the amount and timing of development milestones, and product revenue received under our collaboration license agreements.

Our net earnings and other operating results will be affected by numerous factors, including:

- The level of market acceptance for any approved product candidate, underlying demand for that product, and wholesalers' buying patterns;
- Variations in the level of expenses related to our development programs;
- The success of our product development and clinical trial activities through all phases of clinical development;
- Our execution of any collaborative, licensing, or similar commercial arrangements, and the timing of payments we may make or receive under these arrangements;
- Any delays in regulatory review and approval of product candidates in clinical development;
- The timing of any regulatory approvals, if received, of additional indications for our existing products;
- Potential side effects of our products and our future products that could delay or prevent commercialization, cause an approved drug to be taken off the market, or result in litigation;
- Any intellectual property infringement lawsuit in which we may become involved;

- Our ability to maintain an effective sales and marketing infrastructure;
- Our dependency on third-party manufacturers to supply or manufacture our products and product candidates;
- Competition from existing products, new products, or potential generics to our products or to competitive products that may emerge;
- Regulatory developments affecting our products and product candidates;
- Increased costs as a result of inflation, unstable economic conditions and geopolitical events, including increases in compensation and professional expenses, Cost of Goods Sold, and Research and Development Expenses; and
- Changes in reimbursement environment and regulatory changes.

Due to the various factors mentioned above, and others, the results of any prior quarterly period should not be relied upon as an indication of our future operating performance. If our quarterly operating results fall below the expectations of investors or securities analysts, the price of our common stock could decline substantially. Furthermore, any quarterly fluctuations in our operating results may, in turn, cause the price of our stock to fluctuate substantially.

Risks Related to Our Industry and Business

Delays or failures in the completion of clinical development of our product candidates would increase our costs, delay, or limit our ability to generate revenues.

Delays or failures in the completion of clinical trials for our product candidates could significantly raise our product development costs. We do not know whether current or planned trials will be completed on schedule, if at all. The commencement and completion of clinical development can be delayed or halted for a number of reasons, including:

- Difficulties in obtaining regulatory approval to commence a clinical trial or in complying with conditions imposed by a regulatory authority regarding the scope or term of a clinical trial;
- Difficulties obtaining an institutional review board (IRB) or ethics committee approval to conduct a trial at a prospective site;
- Delays in reaching or failure to reach agreement on acceptable terms with prospective trial sites and investigators, the contractual terms of which can be subject to extensive negotiation and may vary significantly from site to site;
- Insufficient or inadequate supply of, or quantity of, a product candidate for use in trials;
- Challenges recruiting and enrolling patients to participate in clinical trials, for any and all reasons, including competition from other programs for the treatment of similar conditions;
- Severe or unexpected drug-related side effects experienced by patients in a clinical trial;
- Difficulty retaining patients who have enrolled in a clinical trial but who may be prone to withdraw due to side effects from the therapy, lack of efficacy, or personal issues;
- Temporary cessation of clinical trials (clinical holds); or
- Delays due to ambiguous or negative interim results in clinical trials.

Clinical trials may be suspended or terminated by us; or at a trial site by the site's Data Safety Monitoring Board (DSMB) or ethics committee overseeing the clinical trial; or by the U.S. Food and Drug Administration (FDA); or by other regulatory authorities due to a number of factors, including:

- Failure to conduct the clinical trial in accordance with regulatory requirements or the trial protocols;
- Observations during an inspection of the clinical trial operations or trial sites by the FDA or other regulatory authorities which ultimately result in the imposition of a delay or clinical hold;
- Unforeseen safety issues; or

- Lack of adequate funding to continue the trial.

Failure to conduct the clinical trial in accordance with regulatory requirements or the trial protocols may result in the inability to use the trial data to support product approval. Changes in regulatory requirements and guidance may occur, and we may need to amend clinical trial protocols to reflect these changes. Amendments may require us to resubmit our clinical trial protocols to IRBs or ethics committees for reexamination, which may adversely impact the cost, timing, and/or successful completion of a clinical trial.

In addition, many of the factors that cause or lead to a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval of our product candidates. If we experience delays in completion, or if we terminate any of our clinical trials, our ability to obtain regulatory approval of our product candidates may be materially harmed, and our commercial prospects and ability to generate product revenues diminished.

Additionally, the current inflationary environment, unstable economic conditions and geopolitical events may delay our trials or significantly increase our product development costs.

As we continue to increase the size of our organization, we may experience difficulties in managing growth.

Our personnel, systems and facilities currently in place may not be adequate to support future growth. Our future financial performance and our ability to compete effectively will depend, to a significant degree, on our ability to effectively manage our recent and any future growth. We increased employee headcount from 575 employees in 2021 to 603 employees as of June 30, 2022. Revenues in 2021 were $579.8 million, compared to $520.4 million in 2020. Our need to effectively execute our growth strategy requires that we:

- Manage regulatory approvals and clinical trials effectively;
- Manage our internal developmental efforts efficiently and in a cost effective manner while complying with our contractual obligations to licensors, licensees, contractors, collaborators, and other third parties;
- Commercialize our product candidates;
- Continue to grow our pipeline;
- Target strategic business development opportunities;
- Improve our operational, financial, and management controls, financial reporting systems and procedures, and;
- Attract, retain, and motivate sufficient numbers of talented employees with the requisite skills and experience.

This growth could place a strain on our administrative and operational infrastructure and may require our management to divert a disproportionate amount of its attention away from our day-to-day activities. We may not be able to effectively manage the expansion of our operations or to recruit, train and retain additional qualified personnel, particularly in an inflationary economic environment. This may result in weaknesses in our infrastructure; give rise to operational mistakes; loss of business opportunities; loss of employees; and reduced productivity.

We may not be able to make improvements to our management information and control systems in an efficient or timely manner and may discover deficiencies in existing systems and controls. In addition, our growth will cause us to comply with an increasing number of regulations and statutory requirements. If our management is unable to effectively manage our expected growth, our expenses may increase more than expected; our ability to generate or increase our revenues could be impaired; and we may not be able to implement our business strategy.

We face significant competition in attracting and retaining talented employees. Further, managing succession for and retention of key executives is critical to our success. Our failure to do so could have an adverse impact on our future performance.

We are highly dependent upon skilled personnel in key parts of our organization, and we invest heavily in recruiting, training, and retaining qualified individuals, which includes significant efforts to enhance the diversity of our workforce. The loss of the service of key members of our organization, including senior members of our scientific and management teams, high-quality researchers, development specialists, and skilled personnel, could delay or prevent the achievement of major business objectives. Our future growth will demand talented employees and leaders, yet the market for such talent has become increasingly competitive. In addition, our ability to hire qualified personnel also depends on our flexibility to reward superior performance and

to pay competitive compensation. In our industry, during the current inflationary economic environment, compensation levels for qualified personnel and competition among employers to recruit and retain such personnel has and continues to increase.

We may not be able to attract or motivate qualified management, scientific and clinical personnel in the future due to the intense competition for qualified personnel among biotechnology, pharmaceutical, and other businesses. Our industry has experienced a high rate of turnover of management personnel in recent years. If we are not able to attract and motivate key personnel to accomplish our business objectives, we may experience constraints that may significantly impede the achievement of our objectives.

Effective succession planning is also important to our long-term success. Failure to ensure effective transfer of knowledge and smooth transition involving key employees and members of our management team could hinder our strategic planning and business execution. In addition, our failure to adequately plan for succession of senior management and for other key management roles, or the failure of key employees to successfully transition into new roles, could have a material adverse effect on our business and results of operations.

We are highly dependent on the development, regulatory, commercial, and financial expertise of our management, particularly Jack A. Khattar, our President and Chief Executive Officer. Mr. Khattar has an employment agreement. Other members of the senior management team have executive retention agreements, but these agreements do not guarantee the services of these executives will continue to be available to us. If we lose key members of our management team, we may not be able to find suitable replacements in a timely fashion, if at all. We cannot be certain that future management transitions will not disrupt our operations or will not generate concern among employees and those with whom we do business.

In addition to competition for personnel, our corporate offices are located in the greater Washington D.C. metropolitan area, an area that is characterized by a high cost of living. As such, we could have difficulty attracting experienced personnel to our Company and may be required to expend significant financial resources in our employee recruitment efforts. As a result, despite significant efforts on our part, we may be unable to attract and retain qualified individuals in sufficient numbers, which could have an adverse effect on our business, financial condition, and results of operations.

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

(a) Sales of Unregistered Securities.

During the six months ended June 30, 2022, the Company granted options to employees to purchase an aggregate of 1,006,985 shares of common stock at a weighted average exercise price of $31.95 per share. The Company granted 155,000 performance stock units to its employees at a weighted average grant date fair value of $28.93 per share. These issuances are exempt from registration in reliance on Section 4(a)(2) of the Securities Act as transactions not involving a public offering.

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

None

Item 5. Other Information

None

Item 6. Exhibits

The following exhibits are filed or furnished as part of this Quarterly Report on Form 10-Q:

31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a).
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a).
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, formatted in Inline XBRL: (i) Cover Page, (ii) Condensed Consolidated Statements of Earnings, (iii) Condensed Consolidated Statements of Comprehensive Earnings, (iv) Condensed Consolidated Balance Sheets, (v) Condensed Consolidated Statements of Changes in Stockholders' Equity, (vi) Condensed Consolidated Statements of Cash Flows, and (vii) the Notes to Condensed Consolidated Financial Statements, tagged in summary and detail.
104	The cover page of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, formatted in Inline XBRL (included with the Exhibit 101 attachments).

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.

SUPERNUS PHARMACEUTICALS, INC.

DATED: August 8, 2022

By: /s/ Jack A. Khattar
Jack A. Khattar
President and Chief Executive Officer

DATED: August 8, 2022

By: /s/ Timothy C. Dec
Timothy C. Dec
Senior Vice President and Chief Financial Officer

EXHIBIT 31.1

CERTIFICATION

I, Jack A. Khattar, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Supernus 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 officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

5. The registrant's other certifying officer 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: August 8, 2022

By: /s/ Jack A. Khattar
Jack A. Khattar
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Timothy C. Dec, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Supernus 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 officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

5. The registrant's other certifying officer 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: August 8, 2022

By: /s/ Timothy C. Dec
Timothy C. Dec
Senior Vice President and Chief Financial Officer

EXHIBIT 32.1

SUPERNUS PHARMACEUTICALS, INC.

CERTIFICATION PURSUANT TO

18 U.S.C. sec. 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Supernus Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jack A. Khattar, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. sec. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: August 8, 2022

By: /s/ Jack A. Khattar
Jack A. Khattar
President and Chief Executive Officer

EXHIBIT 32.2

SUPERNUS PHARMACEUTICALS, INC.

CERTIFICATION PURSUANT TO

18 U.S.C. sec. 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Supernus Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Timothy C. Dec, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. sec. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: August 8, 2022

By: /s/ Timothy C. Dec
Timothy C. Dec
Senior Vice President and Chief Financial Officer