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 September 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. ☐

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 October 31, 2022	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.001 par value per share	54,058,138	SUPN	The Nasdaq Global Market

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

PART I — FINANCIAL INFORMATION

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

	September 30, 2022 (unaudited)	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	$ 111,492	$ 203,434
Marketable securities	280,297	136,246
Accounts receivable, net	164,086	148,932
Inventories, net	83,165	85,959
Prepaid expenses and other current assets	24,846	27,019
Total current assets	663,886	601,590
Long-term marketable securities	131,937	119,166
Property and equipment, net	15,872	16,955
Intangible assets, net	722,761	784,693
Goodwill	117,383	117,516
Other assets	41,290	49,232
Total assets	$ 1,693,129	$ 1,689,152
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 110,302	$ 117,683
Accrued product returns and rebates	158,470	132,724
Contingent consideration, current portion	47,590	44,840
Convertible notes, net	401,438	—
Other current liabilities	8,187	20,132
Total current liabilities	725,987	315,379
Convertible notes, net	—	379,252
Contingent consideration, long-term	9,781	35,637
Operating lease liabilities, long-term	36,028	41,298
Deferred income tax liabilities	58,164	85,355
Other liabilities	10,371	16,380
Total liabilities	840,331	873,301
Stockholders' equity		
Common stock, $0.001 par value; 130,000,000 shares authorized; 54,053,513 and 53,256,094 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	54	53
Additional paid-in capital	401,026	434,337
Accumulated other comprehensive earnings (loss), net of tax	(4,046)	1,539
Retained earnings	455,764	379,922
Total stockholders' equity	852,798	815,851
Total liabilities and stockholders' equity	$ 1,693,129	$ 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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(unaudited)		(unaudited)	
Revenues				
Net product sales	$ 172,724	$ 145,532	$ 485,647	$ 412,541
Royalty revenues	4,629	2,932	14,263	8,184
Total revenues	177,353	148,464	499,910	420,725
Costs and expenses				
Cost of goods sold [(a)]	25,878	18,085	64,267	58,067
Research and development	19,554	19,654	56,778	69,389
Selling, general and administrative	112,314	72,032	303,249	203,024
Amortization of intangible assets	20,644	6,009	61,932	17,964
Contingent consideration expense (gain)	486	80	1,894	(7,650)
Total costs and expenses	178,876	115,860	488,120	340,794
Operating earnings (loss)	(1,523)	32,604	11,790	79,931
Other income (expense)				
Interest expense	(1,724)	(5,925)	(5,476)	(17,489)
Interest and other income, net	2,803	2,281	19,289	8,682
Total other income (expense)	1,079	(3,644)	13,813	(8,807)
Earnings (Loss) before income taxes	(444)	28,960	25,603	71,124
Income tax (benefit) expense	(2,193)	7,398	(9,627)	20,142
Net earnings	$ 1,749	$ 21,562	$ 35,230	$ 50,982
Earnings per share				
Basic	$ 0.03	$ 0.41	$ 0.66	$ 0.96
Diluted	$ 0.03	$ 0.40	$ 0.62	$ 0.94
Weighted average shares outstanding				
Basic	53,789,674	53,187,764	53,517,838	53,053,441
Diluted	55,034,838	54,334,794	61,543,121	54,301,461

[(a)] Excludes amortization of acquired intangible assets

See accompanying notes.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(unaudited)		(unaudited)	
Net earnings	$ 1,749	$ 21,562	$ 35,230	$ 50,982
Other comprehensive loss:				
Unrealized loss on marketable securities, net of tax	(1,826)	(1,224)	(5,585)	(4,766)
Other comprehensive loss	(1,826)	(1,224)	(5,585)	(4,766)
Comprehensive earnings (loss)	$ (77)	$ 20,338	$ 29,645	$ 46,216

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
Share-based compensation	—	—	4,985	—	—	4,985
Issuance of common stock in connection with the Company's equity award plans	561,127	1	6,455	—	—	6,456
Net earnings	—	—	—	—	1,749	1,749
Unrealized loss on marketable securities, net of tax	—	—	—	(1,826)	—	(1,826)
Balance, September 30, 2022	54,053,513	$ 54	$ 401,026	$ (4,046)	$ 455,764	$ 852,798

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, 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
Share-based compensation	—	$ —	$ 4,027	$ —	$ —	$ 4,027
Issuance of common stock in connection with the Company's equity award plans	35,884	$ —	$ 524	$ —	$ —	$ 524
Net earnings	—	$ —	$ —	$ —	$ 21,562	$ 21,562
Unrealized loss on marketable securities, net of tax	—	$ —	$ —	$ (1,224)	$ —	$ (1,224)
Balance, September 30, 2021	53,180,643	$ 53	$ 428,726	$ 4,209	$ 377,480	$ 810,468

See accompanying notes.

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

	Nine Months Ended September 30,	
	2022	2021
	(unaudited)	
Cash flows from operating activities		
Net earnings	$ 35,230	$ 50,982
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	64,694	19,888
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	1,582	13,037
Realized gains from sales of marketable securities	(14)	(221)
Amortization of premium/discount on marketable securities	3,215	(845)
Change in fair value of contingent consideration	1,894	(7,650)
Other noncash adjustments, net	7,983	(22)
Share-based compensation expense	13,307	13,874
Deferred income tax provision	(18,564)	(479)
Changes in operating assets and liabilities:		
Accounts receivable	(14,958)	7,352
Inventories	(6,304)	(9,331)
Prepaid expenses and other assets	3,098	(13,351)
Accrued product returns and rebates	25,746	5,856
Accounts payable and other liabilities	(12,659)	(15,726)
Contingent consideration	(2,100)	—
Net cash provided by operating activities	89,262	78,364
Cash flows from investing activities		
Purchases of marketable securities	(340,665)	(307,634)
Sales and maturities of marketable securities	173,189	152,546
Purchase of property and equipment and deferred legal fees paid	(422)	(2,005)
Acquisition of USWM, net of cash acquired	—	(950)
Net cash used in investing activities	(167,898)	(158,043)
Cash flows from financing activities		
Payment of contingent consideration	(22,900)	—
Proceeds from issuance of common stock	9,594	5,520
Proceeds from governmental loan and grant	—	800
Net cash (used in) provided by financing activities	(13,306)	6,320
Net change in cash and cash equivalents	(91,942)	(73,359)
Cash and cash equivalents at beginning of year	203,434	288,640
Cash and cash equivalents at end of period	$ 111,492	$ 215,281
Supplemental cash flow information		
Cash paid for interest on convertible notes	$ 2,516	$ 1,887
Cash paid for income taxes	14,558	25,111
Cash paid for operating leases	9,547	7,613
Noncash investing and financing activities		
Lease assets obtained for new operating leases	$ 973	$ 4,120
Deferred legal fees and fixed assets included in accounts payable and accrued expenses	144	186
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. In October 2022, the FDA issued a Complete Response Letter (CRL) regarding the NDA for SPN-830. Refer to Note 17, *Subsequent Events*.
- 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, 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 September 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, the fair values of financial instruments and the recoverability of intangible assets, 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 $52.0 million and $112.8 million in advertising expense for the three and nine months ended September 30, 2022, respectively, and approximately $22.6 million and $59.7 million for the three and nine months ended September 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 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. The activities the Company is currently undertaking include review and evaluation of the tax positions, and other tax-related matters. 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)	1,753	(54,835)
Total fair value of liabilities assumed	(212,733)	1,753	(210,980)
Total identifiable net assets	371,560	133	371,693
Goodwill	39,553	(133)	39,420
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 nine months ended September 30, 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 recorded in the first quarter of 2022. Refer to Note 13, *Leases*.

[3] Represents tax impact for the changes in fair value estimate of the right of use asset and changes made to finalize the accounting of 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. The reported measurement period adjustment of $1.8 million for the nine months ended September 30, 2022 consisted of a reduction to deferred tax liabilities of $3.7 million recorded in the first quarter of 2022 and an increase to deferred tax liabilities of $1.9 million recorded in the third quarter of 2022.

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 September 30,	Nine Months Ended September 30,
	2021	2021
Pro forma total revenues	$ 174,360	$ 487,904
Pro forma net loss	(10,405)	(30,905)

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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(unaudited)		(unaudited)	
Net product sales				
Trokendi XR	$ 69,599	$ 80,935	$ 204,033	$ 231,531
Oxtellar XR	30,528	29,728	88,007	82,120
GOCOVRI	27,878	—	75,179	—
Qelbree	18,326	2,370	37,708	2,685
APOKYN	$ 18,261	$ 24,627	$ 57,156	$ 73,338
Other[(1)]	8,132	7,872	23,564	22,867
Total net product sales	$ 172,724	$ 145,532	$ 485,647	$ 412,541
Royalty revenues	4,629	2,932	14,263	8,184
Total revenues	$ 177,353	$ 148,464	$ 499,910	$ 420,725

(1) Includes net product sales of MYOBLOC, XADAGO and Osmolex ER.

Trokendi XR accounted for more than 40% of the Company's total net product sales for both the three and nine months ended September 30, 2022, and 56% of the Company's total net product sales for both the three and nine months ended September 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 nine months ended September 30, 2022 and 2021, and collectively accounted for more than 80% and 85% of our total net product sales for the nine months ended September 30, 2022 and 2021, respectively.

Royalty revenues include noncash royalty revenues. The Company recognized noncash royalty revenue of $2.5 million and $7.2 million, for the three and nine months ended September 30, 2022, respectively. The Company recognized noncash royalty revenue of $2.4 million and $6.8 million, for the three and nine months ended September 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):

	September 30, 2022	December 31, 2021
	(unaudited)	
Corporate and U.S. government agency and municipal debt securities		
Amortized cost	$ 417,576	$ 253,301
Gross unrealized gains	—	2,349
Gross unrealized losses	(5,342)	(238)
Total fair value	$ 412,234	$ 255,412

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

	September 30, 2022 (unaudited)
Less than 1 year	$ 280,297
1 year to 2 years	104,346
2 years to 3 years	27,591
3 years to 4 years	—
Greater than 4 years	—
Total	$ 412,234

As of September 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 Units 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 September 30, 2022	Fair Value Measurements at September 30, 2022 (unaudited)		
		Level 1	Level 2	Level 3
Assets:	(unaudited)			
Cash and cash equivalents				
Cash	$ 111,087	$ 111,087	$ —	$ —
Money market funds	405	405	—	—
Marketable securities				
Corporate and municipal debt securities	280,297	—	280,297	—
Long term marketable securities				
Corporate and municipal debt securities	131,937	—	131,937	—
Other noncurrent assets				
Marketable securities - restricted (SERP)	464	9	455	—
Total assets at fair value	$ 524,190	$ 111,501	$ 412,689	$ —
Liabilities:				
Contingent consideration	$ 57,371	$ —	$ —	$ 57,371
Total liabilities at fair value	$ 57,371	$ —	$ —	$ 57,371

	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 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 noncurrent 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):

	September 30, 2022 (unaudited)		December 31, 2021	
	Carrying Value	Fair Value (Level 2)	Carrying Value	Fair Value (Level 2)
2023 Notes	$ 401,438	$ 392,438	$ 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. As of September 30, 2022, the achievement of this milestone is remote. The remaining $55 million, which does not have a time-based mechanism for payment, relates to the FDA's approval of the SPN-830 NDA and the subsequent commercial product launch. Refer to Note 1, *Business Organization* and Note 17, *Subsequent Events*.

- 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. As of September 30, 2022, the Company assessed that the remaining sales-based milestones will not be achieved based on net sales projections.

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 $0.4 million expense and a $2.4 million expense due to the change in fair value of the contingent consideration liabilities for the USWM milestones for the three and nine months ended September 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 a $0.1 million expense 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 nine months ended September 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 $0.1 million expense and a $0.5 million gain due to the change in fair value of the contingent consideration liabilities for the three and nine months ended September 30, 2022, respectively. The change in fair value was 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	2,420	(526)	1,894
Balance at September 30, 2022 (unaudited)	$ 47,590	$ 9,781	$ 57,371
Regulatory and developmental contingent consideration liabilities	$ 47,590	$ —	$ 47,590
Sales-based contingent consideration liabilities	—	9,781	9,781
Balance at September 30, 2022 (unaudited)	$ 47,590	$ 9,781	$ 57,371

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):

	September 30, 2022	December 31, 2021
Reported under the following captions in the condensed consolidated balance sheets:	(unaudited)	
Contingent consideration, current portion	$ 47,590	$ 44,840
Contingent consideration, long-term	9,781	35,637
Total	$ 57,371	$ 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)		(133)
Balance as of September 30, 2022 (unaudited)	$	117,383

Intangible Assets, Net

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

		September 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	8.02	681,100	(93,642)	587,458	681,100	(35,550)	645,550
Capitalized patent defense costs	4.24	43,820	(32,517)	11,303	43,820	(28,677)	15,143
Total intangible assets	7.95	$ 848,920	$ (126,159)	$ 722,761	$ 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 $20.6 million and $61.9 million for the three and nine months ended September 30, 2022, respectively, and approximately $6.0 million and $18.0 million for the three and nine months ended September 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 September 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):

	September 30, 2022	December 31, 2021
	(unaudited)	
2023 Notes	$ 402,500	$ 402,500
Unamortized debt discount and deferred financing costs	(1,062)	(23,248)
Total carrying value	$ 401,438	$ 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 September 30, 2022 or December 31, 2021.

10. Share-Based Payments

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(unaudited)		(unaudited)	
Research and development	$ 825	$ 615	$ 2,284	$ 1,909
Selling, general and administrative	4,160	3,412	11,023	11,965
Total	$ 4,985	$ 4,027	$ 13,307	$ 13,874

Stock Option and Stock Appreciation Rights

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

	Number of Options & SARs	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	1,046,785	$ 31.95	
Exercised	(673,120)	$ 12.79	
Forfeited	(145,473)	$ 30.06	
Outstanding, September 30, 2022 (unaudited)	6,002,268	$ 26.64	6.29
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 September 30, 2022 (unaudited):			
Vested and expected to vest	6,002,268	$ 26.64	6.29
Exercisable	3,682,170	$ 24.61	4.83

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	134,460	$ 32.17
Vested	(21,110)	$ 29.61
Nonvested, September 30, 2022 (unaudited)	134,460	$ 32.17

There were no forfeited RSU awards during the nine months ended September 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	(22,250)	$ 29.69	—	—	(22,250)	$ 29.69
Forfeited	(1,500)	$ 30.45	—	—	(1,500)	$ 30.45
Nonvested, September 30, 2022 (unaudited)	184,750	$ 29.08	35,625	$ 26.34	220,375	$ 28.64

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 nine months ended September 30, 2022 in connection with the adoption of ASU 2020-06 and the treasury stock method for the three and nine months ended September 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 and shares associated with the conversion of the 2023 Notes in the calculation of diluted EPS, because their inclusion would be anti-dilutive:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(unaudited)		(unaudited)	
2023 Notes	6,783,936	—	—	—
Stock options, RSUs, PSUs	792,904	1,654,816	470,822	1,397,424

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 not included in diluted weighted average shares of common stock outstanding for the purposes of calculating diluted earnings per share for the three months ended September 30, 2022 because their inclusion would be anti-dilutive. 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 nine months ended September 30, 2022. For the three and nine months ended September 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 nine months ended September 30, 2022 under the if-converted method and for the three and nine months ended September 30, 2021 under the treasury stock method (dollars in thousands, except share and per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(unaudited)		(unaudited)	
Numerator:				
Net earnings	$ 1,749	$ 21,562	$ 35,230	$ 50,982
After-tax interest expense for 2023 Notes	—	—	2,664	—
Numerator for dilutive earnings per share	$ 1,749	$ 21,562	$ 37,894	$ 50,982
Denominator:				
Weighted average shares outstanding, basic	53,789,674	53,187,764	53,517,838	53,053,441
Effect of dilutive securities:				
Stock options, RSUs and SARs	1,245,164	1,147,030	1,241,347	1,248,020
Convertible notes	—	—	6,783,936	—
Weighted average shares outstanding, diluted	55,034,838	54,334,794	61,543,121	54,301,461
Earnings per share, basic	$ 0.03	$ 0.41	$ 0.66	$ 0.96
Earnings per share, diluted	$ 0.03	$ 0.40	$ 0.62	$ 0.94

12. Income Tax (Benefit) Expense

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(unaudited)		(unaudited)	
Income tax (benefit) expense	$ (2,193)	$ 7,398	$ (9,627)	$ 20,142
Effective tax rate	493.9 %	25.5 %	(37.6)%	28.3 %

The decrease in income tax expense for the three months ended September 30, 2022 compared to the same period in prior year was primarily due to lower earnings before income taxes. The change in effective tax rate for the three months ended September 30, 2022 compared to the same period in prior year was primarily due to larger excess tax benefits of stock-based awards in 2022.

The change in income tax (benefit) expense and effective tax rate for the nine months ended September 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	September 30, 2022 (unaudited)	December 31, 2021
Assets			
Operating lease assets	Other assets	$ 29,663	$ 35,365
Total lease assets		$ 29,663	$ 35,365
Liabilities			
Lease liabilities, current			
Operating lease liabilities, current portion	Accounts payable and accrued liabilities	$ 6,757	$ 6,477
Lease liabilities, long-term			
Operating lease liabilities, long-term	Operating lease liabilities, long-term	36,028	41,298
Total lease liabilities		$ 42,785	$ 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 September 30, 2022 and December 31, 2021, the Company has recorded allowances reducing accounts receivable by approximately $12.8 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

	September 30, 2022	December 31, 2021
	(unaudited)	
Raw materials	$ 11,012	$ 7,325
Work in process	25,461	45,711
Finished goods	46,692	32,923
Total	$ 83,165	$ 85,959

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

Property and Equipment, Net

	September 30, 2022	December 31, 2021
	(unaudited)	
Lab equipment and furniture	$ 12,207	$ 12,287
Leasehold improvements	14,023	14,369
Software	1,007	4,776
Computer equipment	1,282	1,944
Construction-in-progress	291	33
	28,810	33,409
Less accumulated depreciation and amortization	(12,938)	(16,454)
Property and equipment, net	$ 15,872	$ 16,955

Depreciation and amortization expense on property and equipment was approximately $0.8 million and $2.2 million for the three and nine months ended September 30, 2022, respectively, and approximately $0.6 million and $1.9 million for the three and nine months ended September 30, 2021, respectively. The Company retired certain fully depreciated property and equipment in the nine months ended September 30, 2022.

Accounts Payable and Accrued Liabilities

	September 30, 2022	December 31, 2021
	(unaudited)	
Accounts payable	$ 16,015	$ 9,331
Accrued professional & marketing fees	31,269	26,728
Accrued compensation	16,748	28,068
Accrued product costs	11,129	18,460
Accrued royalties [1]	11,671	13,821
Accrued clinical trial costs [2]	6,823	9,125
Operating lease liabilities, current portion [3]	6,757	6,477
Other accrued expenses	9,890	5,673
Total	$ 110,302	$ 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

	September 30, 2022	December 31, 2021
	(unaudited)	
Accrued product rebates	$ 119,162	$ 97,597
Accrued product returns	39,308	35,127
Total	$ 158,470	$ 132,724

Other Liabilities

	September 30, 2022	December 31, 2021
	(unaudited)	
Nonrecourse liability related to sale of future royalties, long-term	$ —	$ 5,977
Other liabilities	10,371	10,403
Total	$ 10,371	$ 16,380

15. Interest Expense

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(unaudited)		(unaudited)	
Interest expense	$ (1,158)	$ (5,033)	$ (3,488)	$ (14,593)
Interest expense on nonrecourse liability related to sale of future royalties	(566)	(892)	(1,988)	(2,896)
Total	$ (1,724)	$ (5,925)	$ (5,476)	$ (17,489)

For the three and nine months ended September 30, 2022, interest expense includes noncash interest expense related to amortization of deferred financing costs of $0.5 million and $1.6 million. For the three and nine months ended September 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 $4.4 million and $13.0 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 nine months ended September 30, 2022 significantly decreased compared to the three and nine months ended September 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 will end in 2022. As of September 30, 2022, there is no remaining contractual commitment.

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. On August 25, 2022, the Ninth Circuit sided with the defendants by reversing the District Court’s public disclosure bar rulings and remanding the case back to the District Court to decide certain issues in the first instance. On October 11, 2022, the plaintiff filed a petition for rehearing with the Ninth Circuit. The petition remains pending. 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.

17. Subsequent Events

SPN-830 Regulatory Development

In December 2021, we resubmitted the NDA for SPN-830 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 PDUFA target action date in early October 2022. In October 2022, the FDA issued a CRL regarding the NDA for SPN-830. The CRL requires additional information and analysis related to the infusion device and drug product across several areas of the NDA including, but not limited to, labeling, product quality and manufacturing, device performance and risk analysis. In addition, the FDA mentions that approval of the NDA requires inspections that could not be completed in a timely manner due to COVID-19 travel restrictions. The CRL does not request additional efficacy and safety clinical studies. The FDA has made an initial determination that the amendment to the Company's application in response to the CRL will be subject to a Class 2, or six-month, review timeline.

The Company is in the process of analyzing the CRL and determining next steps for the resubmission of the NDA. While it is too early to ascertain the full impact to our financial statements, we anticipate that we may identify indicators of impairment for the IPR&D asset that represents an estimate of the fair value of SPN-830, the product candidate, that could result from the non-approval of the NDA. The potential adjustment to the IPR&D asset that may be necessary as a result of any required interim impairment analysis may be material. Additionally, the Company also expects to assess adjustments to the fair value of the contingent consideration arrangements which includes milestones payments due upon achievement of certain FDA's regulatory approval and commercial launch of SPN-830. While we are unable to estimate the anticipated financial impact at this time, we expect potential adjustments, which may be material, will be recognized and reported within the fourth quarter of 2022. These adjustments could impact the Company's future results of operations and financial condition.

APOKYN Litigation

On October 3, 2022, Sage Chemical, Inc. and TruPharma, LLC filed a lawsuit in the United States District Court for the District of Delaware (Case No. 22-cv-1302) alleging that Supernus Pharmaceuticals, Inc., Britannia Pharmaceuticals Limited, and US WorldMeds Partners, LLC violated state and federal antitrust law in connection with APOKYN. The Company is currently reviewing the details of the complaint and will respond as appropriate.

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, our Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 8, 2022 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		Complete Response Letter (CRL) received from FDA in October 2022
SPN-820	Treatment-resistant depression	Phase II	
SPN-817	Treatment-resistant seizures	Phase I	
SPN-443	CNS	Preclinical	
SPN-446	CNS	Preclinical	

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 PDUFA target action date in early October 2022. In October 2022, the FDA issued a CRL regarding the NDA for SPN-830. The CRL requires additional information and analysis related to the infusion device and drug product across several areas of the NDA including, but not limited to, labeling, product quality and manufacturing, device performance and risk analysis. In addition, the FDA mentions that approval of the NDA requires inspections that could not be completed in a timely manner due to COVID-19 travel restrictions. The CRL does not request additional efficacy and safety clinical studies. The FDA has made an initial determination that the amendment to the Company's application in response to the CRL will be subject to a Class 2, or six-month, review timeline.

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 nine months ended September 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 and "Risk Factors" in Part II, Item 1A of our Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 8, 2022 for additional information on risk factors that could impact our business and our results.

Operational Highlights

Qelbree Launch Update

- Total IQVIA prescriptions were 94,328 in the third quarter of 2022, an increase of 50% compared to total prescriptions of 62,938 in the second quarter of 2022. In September 2022, the most recent month available, total prescriptions reached 34,633.
- Qelbree continues to expand its base of prescribers, with approximately 14,265 prescribers in the third quarter of 2022, up from 9,276 prescribers from the second quarter of 2022.

Product Pipeline Update

SPN-830 (apomorphine infusion device) - Continuous treatment of motor fluctuations (“off” episodes) in Parkinson's disease (PD)

- In October 2022, the Company announced the U.S. Food and Drug Administration (FDA) issued a Complete Response Letter (CRL) for the SPN-830 New Drug Application (NDA). The CRL does not request additional efficacy and safety clinical studies but rather requires additional information and analysis related to the infusion device and drug product across several areas of the NDA, including labeling, product quality and manufacturing, device performance and risk analysis. In addition, the FDA mentions that approval of the NDA requires inspections that could not be completed in a timely manner due to COVID-19 travel restrictions. Supernus will continue to work closely with the FDA to address all questions, and when possible, to provide clarity regarding the potential timing of a resubmission of the NDA. The FDA has made an initial determination that the amendment to the Company’s application in response to the CRL will be subject to a Class 2, or six-month, review timeline.

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

- The Phase II multi-center, randomized double-blind placebo-controlled parallel design study of SPN-820 in adults with treatment-resistant depression is ongoing. 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 in patients with 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 Nine Months Ended September 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 nine months ended September 30, 2022 and 2021 (dollars in thousands):

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2022	2021	Amount	Percent	2022	2021	Amount	Percent
Net product sales								
Trokendi XR	$ 69,599	$ 80,935	$ (11,336)	(14)%	$ 204,033	$ 231,531	$ (27,498)	(12)%
Oxtellar XR	30,528	29,728	800	3%	88,007	82,120	5,887	7%
GOCOVRI	27,878	—	27,878	**	75,179	—	75,179	**
Qelbree	18,326	2,370	15,956	**	37,708	2,685	35,023	**
APOKYN	18,261	24,627	(6,366)	(26)%	57,156	73,338	(16,182)	(22)%
Other[(1)]	8,132	7,872	260	3%	23,564	22,867	697	3%
Total net product sales	$ 172,724	$ 145,532	$ 27,192	19%	$ 485,647	$ 412,541	$ 73,106	18%
Royalty revenues	4,629	2,932	1,697	58%	14,263	8,184	6,079	74%
Total revenues	$ 177,353	$ 148,464	$ 28,889	19%	$ 499,910	$ 420,725	$ 79,185	19%

(1) Includes net product sales of MYOBLOC, XADAGO and Osmolex ER.

The $27.2 million and 19% increase in net product sales for the three months ended September 30, 2022, as compared to the same period in 2021, was primarily due to the inclusion of $27.9 million in net product sales of GOCOVRI, subsequent to the completion of the Adamas Acquisition in November 2021, as well as a $16.0 million increase in net product sales of Qelbree, which was launched in May 2021. Partially offsetting this increase was a $11.3 million decrease in net product sales of Trokendi XR and a $6.4 million decrease in net product sales of APOKYN primarily attributable to the decline in unit demand due to competitive headwinds.

The $73.1 million and 18% increase in net product sales for the nine months ended September 30, 2022, as compared to the same period in 2021, was primarily due to the inclusion of $75.2 million in net product sales of GOCOVRI, subsequent to the completion of the Adamas Acquisition in November 2021, the increase of $5.9 million in net product sales of Oxtellar, as well as a $35.0 million increase in net product sales of Qelbree, which was launched in May 2021 for pediatric patients and in May 2022 for adult patients. Partially offsetting this increase was a $27.5 million decrease in net product sales of Trokendi XR and a $16.2 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			
	Product Returns	Product Rebates	Reduction to Accounts Receivable for Sales Discounts	Total
Balance at December 31, 2021	$ 35,127	$ 97,597	$ 13,537	$ 146,261
Provision				
Provision for current year sales	13,846	321,860	55,693	391,399
Adjustments relating to prior year sales	(3,225)	31	(3)	(3,197)
Total provision	$ 10,621	$ 321,891	$ 55,690	$ 388,202
Less: Actual payments/credits	(6,440)	(300,326)	(56,447)	(363,213)
Balance at September 30, 2022	$ 39,308	$ 119,162	$ 12,780	$ 171,250
Balance at December 31, 2020	$ 29,603	$ 96,589	$ 11,404	$ 137,596
Provision				
Provision for current year sales	9,945	275,352	51,472	336,769
Adjustments relating to prior year sales	(1,525)	1,334	19	(172)
Total provision	$ 8,420	$ 276,686	$ 51,491	$ 336,597
Less: Actual payments/credits	(4,611)	(274,639)	(51,677)	(330,927)
Balance at September 30, 2021	$ 33,412	$ 98,636	$ 11,218	$ 143,266

Accrued Product Returns and Rebates Balances

The accrued product returns balance increased from $33.4 million as of September 30, 2021 to $39.3 million as of September 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 increased from $98.6 million as of September 30, 2021 to $119.2 million as of September 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 $8.4 million for the nine month period ended September 30, 2021 to $10.6 million for the nine month period ended September 30, 2022. The change was primarily attributable to an increase in volume of products sold with the launch of Qelbree for pediatric patients in the 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 $276.7 million for the nine month period ended September 30, 2021 to $321.9 million for the nine month period ended September 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 $2.9 million for the three months ended September 30, 2022 and 2021, respectively. Royalty revenues were $14.3 million and $8.2 million for the nine months ended September 30, 2022 and 2021, respectively. The increase was primarily due to the Namzaric royalties for the three and nine months ended September 30, 2022. Namzaric royalty rights were acquired in connection with the Adamas Acquisition.

Cost of Goods Sold

Cost of goods sold was $25.9 million and $18.1 million for the three months ended September 30, 2022 and 2021, respectively. The increase was primarily due to higher Qelbree sales, offset by lower royalty expense compared to the same period in the prior year.

Cost of goods sold was $64.3 million and $58.1 million for the nine months ended September 30, 2022 and 2021, respectively. The increase was primarily due to higher Qelbree sales, offset by lower royalty expense compared to the same period in the prior year.

Royalty expense associated with the acquired commercial products, APOKYN and XADAGO, made up the majority of cost of goods sold. Royalty expense declined $2.4 million for the three months ended September 30, 2022 and $5.7 million for the nine months ended September 30, 2022 primarily due to the decline in APOKYN sales in 2022.

Research and Development Expenses

R&D expenses were $19.6 million and $19.7 million for the three months ended September 30, 2022 and 2021, respectively. R&D expenses were $56.8 million and $69.4 million for the nine months ended September 30, 2022 and 2021. The $12.6 million decrease for the nine months ended September 30, 2022 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, offset by a $2.0 million increase in costs associated with regulatory activities mainly related to acquired products.

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 September 30,		Change		Nine Months Ended September 30,		Change	
	2022	2021	Amount	Percent	2022	2021	Amount	Percent
Selling and marketing	$ 85,704	$ 50,704	$ 35,000	69%	$ 219,798	$ 137,531	$ 82,267	60%
General and administrative	26,610	21,328	5,282	25%	83,451	65,493	$ 17,958	27%
Total	$ 112,314	$ 72,032	$ 40,282	56%	$ 303,249	$ 203,024	$ 100,225	49%

Selling, general and administrative expenses increased by 56% to $112.3 million for the three months ended September 30, 2022. The increase was primarily due to increased marketing expenditures of approximately $30.5 million primarily for activities to support the launch of Qelbree to the adult population and the Qelbree direct-to-consumer campaign, which substantially occurred in the third quarter of 2022, as well as the acquired commercial products from Adamas Acquisition. In addition, general and administrative expenses increased $3.3 million due to higher professional and consulting costs and increased employee-related costs mainly to support IT and finance operations related to the ransomware incident, financial reporting and Adamas integration in 2022.

Selling, general and administrative expenses increased by 49% to $303.2 million for the nine months ended September 30, 2022. The increase was primarily due to increased marketing expenditures of (i) approximately $46.1 million primarily for activities to support the launch of Qelbree to the adult population and the Qelbree direct-to-consumer campaign, which substantially occurred in the third quarter of 2022, as well as (ii) approximately $8.0 million related to the commercial products acquired from the Adamas Acquisition. In addition, general and administrative expenses increased $10.7 million due to higher professional and consulting costs and increased employee-related costs mainly 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 $6.0 million for the three months ended September 30, 2022 and 2021, respectively. Amortization of intangible assets was $61.9 million and $18.0 million for the nine months ended September 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 $0.5 million and $0.1 million for the three months ended September 30, 2022 and 2021, respectively. The contingent consideration expense was primarily due to an increase in the estimated fair value of regulatory and developmental milestones due to the passage of time.

The change in fair value of the contingent consideration liabilities was an expense of $1.9 million and a gain of $7.7 million for the nine months ended September 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 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 and the accretion to the payout amount related to the milestone achieved in the first quarter of 2022.

Other Income (Expense)

Other income (expense) was income of $1.1 million and an expense of $3.6 million for the three months ended September 30, 2022 and 2021, respectively. The increase in other income was principally due to a decrease of $4.2 million in interest expense. 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.

Other income (expense) was income of $13.8 million and an expense of $8.8 million for the nine months ended September 30, 2022 and 2021, respectively. The increase in other income 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 $12.0 million primarily related to the Company's adoption of ASU 2020-06.

Income Tax (Benefit) Expense

Income tax benefit was $2.2 million and income tax expense was $7.4 million for the three months ended September 30, 2022 and 2021, respectively. The decrease was mainly due to lower earnings before income taxes. The effective income tax rate was 493.9% and 25.5% for the three months ended September 30, 2022 and 2021, respectively. The change in effective income tax rate was primarily due to larger excess tax benefits of stock-based awards in 2022.

Income tax benefit was $9.6 million and income tax expense was $20.1 million for the nine months ended September 30, 2022 and 2021, respectively. The effective income tax rate was (37.6)% and 28.3% for the nine months ended September 30, 2022 and 2021, respectively. The change in income tax (benefit) expense and effective income tax rate was primarily 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 $523.7 million as of September 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):

	September 30, 2022	December 31, 2021	Change Amount	Change Percent
Cash and cash equivalents	$ 111,492	$ 203,434	$ (91,942)	(45)%
Marketable securities	280,297	136,246	144,051	106%
Long-term marketable securities	131,937	119,166	12,771	11%
Total	$ 523,726	$ 458,846	$ 64,880	14%

Total cash and cash equivalents, marketable securities and long-term marketable securities increased by $64.9 million in the first nine months of 2022, primarily due to cash generated from ongoing operations.

As of September 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 September 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 September 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):

	Nine Months Ended September 30, 2022		Change
	2022	2021	Amount
Net cash provided by (used in):			
Operating activities	$ 89,262	$ 78,364	$ 10,898
Investing activities	(167,898)	(158,043)	(9,855)
Financing activities	(13,306)	6,320	(19,626)
Net change in cash and cash equivalents	$ (91,942)	$ (73,359)	$ (18,583)

Operating Activities

Net cash provided by operating activities was $89.3 million and $78.4 million for the nine months ended September 30, 2022, and 2021, respectively. The increase 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 $167.9 million for the nine months ended September 30, 2022, as compared to $158.0 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 $13.3 million for the nine months ended September 30, 2022 compared to net cash provided by financing activities of $6.3 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, offset by 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 September 30, 2022, we had unrestricted cash, cash equivalents, marketable securities, and long-term marketable securities of $523.7 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 September 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 September 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 nine months ended September 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 September 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 September 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 Reports on Form 10-Q as of March 31, 2022 and June 30, 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 September 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. As of September 30, 2022, we have taken steps to remediate the material weaknesses. These include the following:

- implementation of a new ERP system which went live during the second quarter of 2022
- performance of risk assessment procedures and reevaluation of control design and control procedures, both are ongoing
- active recruitment of key finance and IT personnel. Management identified those roles deemed critical to the remediation of the material weakness and are in the process of actively recruiting for those roles
- conducted training on internal control over financial reporting to employees and contractors

While we believe the steps we have undertaken so far will improve our internal control environment, the design and implementation of our remediation is ongoing and will require validation and testing of the design and operating effectiveness of our internal control over financial reporting for 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 September 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 September 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, the Court issued an Order consolidating this lawsuit with another pending lawsuit against Apotex, C.A. No. 22-cv-322, discussed below. The Court issued a revised Scheduling Order on October 11, 2022 that (i) provides for a final pre-trial conference and trial for May 2023; and (ii) further extends the 30-month stay. Pretrial discovery is ongoing as of the date of this submission.

Supernus Pharmaceuticals, Inc. v. Apotex Inc., et al., C.A. No. 22-cv-322 (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 U.S. Patent No. 11,166,960 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-322 (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, the Court issued an Order consolidating this lawsuit with another pending lawsuit against Apotex C.A. No. 20-cv-7870 and administratively terminated C.A. No. 22-cv-322, discussed above. As of the date of this submission, C.A. No. 22+-ca-322 remains administratively terminated.

Supernus Pharmaceuticals, Inc. v. RiconPharma LLC, et al., C.A. No. 21-cv-12133 (KM)(MAH) (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. On September 19, 2022, the Court issued an amended scheduling order that, among other things, moved the Final Pretrial Order deadline to June 30, 2023 (trial is still scheduled to commence in July 2023). Pretrial discovery is ongoing as of the date of this submission.

Supernus Pharmaceuticals, Inc. v. RiconPharma LLC, et al., C.A. No. 22-cv-6340 (KM)(MAH) (D.N.J.)

The Company received a Paragraph IV Notice Letter from generic drug maker RiconPharma, LLC ("Ricon") dated October 7, 2022 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 October 28, 2022, the Company filed a lawsuit against Ricon 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 Ricon infringed U.S. Patent No. 11,166,960 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. As of the date of this submission, Ricon has not answered the Complaint.

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 with the lawsuit against Torrent, discussed below. The consolidation order extended the 30-month stay preventing the FDA from approving Ajanta's ANDA to December 16, 2023. On August 17, 2022, the Court amended the scheduling order. Under the amended scheduling order, the Final Pretrial Conference is set for May 24, 2023. The amended scheduling order states that trial will commence in July 2023. 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. On August 17, 2022, the Court amended scheduling order. Under the amended scheduling order, the Final Pretrial Conference is set for May 24, 2023. The amended scheduling order states that trial will commence in July 2023. 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-3511 (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 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. On October 3, 2022, Alkem answered the Complaint and denied the substantive allegations of the Complaint, asserting affirmative defenses that include non-infringement and invalidity. On October 26, 2022, the Court issued a scheduling order. The scheduling order states that the Pretrial Conference will be in May 2024 and that trial will commence in June 2024. Pretrial discovery is ongoing as of the date of this submission.

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. ("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. On October 7, 2022, DRL answered the Compliant and denied the substantive allegations of the Complaint, asserting affirmative defenses that include non-infringement and invalidity. As of the date of this submission, the Court has not issued a case schedule.

Sage Chemical, Inc., et al. v. Supernus Pharmaceuticals, Inc., et al., C.A. No. 22-cv-1302 (CFC) (D. Del.)

On October 3, 2022, Sage Chemical, Inc. and TruPharma, LLC filed a lawsuit in the United States District Court for the District of Delaware alleging that Supernus Pharmaceuticals, Inc., Britannia Pharmaceuticals Limited, and US WorldMeds Partners, LLC violated state and federal antitrust law in connection with APOKYN® (apomorphine HCl). The Company is currently reviewing the details of the Complaint and will respond as appropriate.

Supernus Pharmaceuticals, Inc. v. Ajanta Pharma Limited, C.A. No. 22-cv-1431 (D. Del.)

The Company received a Paragraph IV Notice Letter from Ajanta Pharma Limited ("Ajanta") on or around September 21, 2022, advising the Company of the filing by Ajanta of an Abbreviated New Drug Application with the U.S. Food and Drug

[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.

Administration (“FDA”) seeking approval for Oxcarbazepine Extended-Release Tablets, 150 mg, 300 mg, and 600 mg. The Notice Letter is directed to the Oxtellar XR® Orange Book patents, namely United States 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, 10,220,042, and 11,166,960. The FDA Orange Book currently lists all ten of the Oxtellar XR® Orange Book patents as expiring on April 13, 2027. On October 28, 2022, the Company filed a lawsuit against Ajanta alleging infringement of the Company’s Oxtellar XR® patents. The Complaint—filed in the U.S. District Court for the District of Delaware—alleges, inter alia, that Ajanta 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 October 28, 2022 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. As of the date of this submission, Ajanta 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 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 originally scheduled for August 22, 2022 has been rescheduled for December 1, 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. On August 25, 2022, the Ninth Circuit sided with the defendants by reversing the District Court's public disclosure bar rulings and remanding the case back to the District Court to decide certain issues in the first instance. On October 11, 2022, the plaintiff filed a petition for rehearing with the Ninth Circuit. The petition remains pending.

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, on Form 10-Q for the period ended June 30, 2022, and on this Quarterly Report on Form 10-Q for the period ended September 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 was to occur, the market price of our common stock may decline, and you could lose part or all of your investment.

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

(a) Sales of Unregistered Securities.

During the nine months ended September 30, 2022, all of the Company's grants of equity awards occurred pursuant to its 2021 Equity Incentive Plan (the "2021 Plan"). Securities issued under the 2021 Plan are registered on the Company's Form S-8 filed on June 25, 2021.

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 September 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 September 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: November 9, 2022

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

DATED: November 9, 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: November 9, 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: November 9, 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 September 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: November 9, 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 September 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: November 9, 2022

By: /s/ Timothy C. Dec

Timothy C. Dec
Senior Vice President and Chief Financial Officer