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

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): January 28, 2022

XERIS BIOPHARMA HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**001-40880**	**87-1082097**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

**180 N. LaSalle Street, Suite 1600
Chicago, Illinois 60601**
(Address of principal executive offices, including zip code)

(844) 445-5704
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.0001 per share	XERS	The Nasdaq Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

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. ☐

Item 8.01 Other Events.

As previously reported, Xeris Biopharma Holdings, Inc. ("Xeris" or the "Company") completed its acquisition (the "Acquisition") of Strongbridge Biopharma plc, an Irish public limited company ("Strongbridge") on October 5, 2021 (the "Acquisition Closing Date"). Upon completion of the Acquisition, (a) the Company acquired Strongbridge by means of a scheme of arrangement (the "Scheme") under Irish law pursuant to which the Company acquired all of the outstanding ordinary shares of Strongbridge ("Strongbridge Shares") in exchange for (i) 0.7840 of a share of the Company's common stock ("Company Shares") and cash in lieu of fractions of Company Shares in exchange for each Strongbridge Share held by such Strongbridge shareholders and (ii) one (1) non-tradeable contingent value right ("CVR"), worth up to a maximum of $1.00 per Strongbridge Share settleable in cash, additional Company Shares, or a combination of cash and additional Company Shares, at the Company's sole election and (b) Wells MergerSub, Inc. merged with and into Xeris Pharmaceuticals, Inc. ("Xeris Pharma") with Xeris Pharma as the surviving corporation in the merger (the "Merger," and the Merger together with the Acquisition, the "Transactions").

Upon completion of the Merger, (a) each share of Xeris Pharma common stock was assumed by the Company and converted into the right to receive one Company Share and any cash in lieu of fractional entitlements due to a Xeris Pharma shareholder and (b) each Xeris Pharma option, stock appreciation right, restricted share award and other Xeris Pharma share based award that was outstanding was assumed by the Company and converted into an equivalent equity award of the Company, which award was subject to the same number of shares and the same terms and conditions as were applicable to the Xeris Pharma award in respect of which it was issued.

This Current Report on Form 8-K is being filed in order to provide as Exhibit 99.1 hereto the unaudited consolidated financial statements of Strongbridge for the nine months ended September 30, 2021, and as Exhibit 99.2 hereto the unaudited pro forma condensed consolidated financial information of Xeris Pharma and Strongbridge for the nine months ended September 30, 2021. The pro forma condensed consolidated financial information included herein has been presented for informational purposes only and is not necessarily indicative of the combined financial position or results of operations that would have been realized had the Transactions occurred as of the dates indicated, nor is it meant to be indicative of any anticipated combined financial position or future results of operations that Xeris may experience after the Transactions.

The purpose of this Current Report on Form 8-K is to, among other things, file the financial statements of Strongbridge and pro forma condensed consolidated financial information discussed above, and to allow such financial information to be incorporated by reference into Xeris's registration statements filed with the Securities and Exchange Commission.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired.

The unaudited consolidated financial statements of Strongbridge as of September 30, 2021 and for the nine months ended September 30, 2021, together with the related notes to the financial statements, are filed as Exhibit 99.1 to this Current Report on Form 8-K and are incorporated herein by reference.

(b) Pro forma financial information.
The following unaudited pro forma condensed combined financial information of the Company, giving effect to the Transactions as if it had been completed on January 1, 2020, is included in Exhibit 99.2 hereto:

- Unaudited Pro Forma Condensed Balance Sheet as of September 30, 2021
- Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 2020
- Unaudited Pro Forma Condensed Combined Statement of Operations for the nine months ended September 30, 2021
- Notes to the unaudited Pro Forma Condensed Combined Financial Information

Item 9.01 Financial Statements and Exhibits

(d) Exhibits:

Exhibit Number	Description
99.1	Unaudited consolidated financial statement of Strongbridge Biopharma plc for the nine months ended September 30, 2021
99.2	Unaudited pro forma condensed combined financial information of Xeris Biopharma Holdings, Inc.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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 hereunto duly authorized.

Date: January 28, 2022

Xeris Biopharma Holdings, Inc.

By: /s/ Steven M. Pieper
Name: Steven M. Pieper
Title: *Chief Financial Officer*

Consolidated Financial Statements

STRONGBRIDGE BIOPHARMA plc

September 30, 2021 and 2020

STRONGBRIDGE BIOPHARMA plc

Consolidated Balance Sheets
(In thousands, except share and per share data)
(unaudited)

	September 30, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 55,270	$ 87,522
Accounts receivable	5,325	2,801
Inventory	1,173	1,103
Prepaid expenses and other current assets	1,261	926
Total current assets	63,029	92,352
Property and equipment, net	162	216
Right-of-use asset, net	433	597
Intangible asset, net	17,337	20,088
Goodwill	7,256	7,256
Other assets	808	591
Total assets	$ 89,025	$ 121,100
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 329	$ 1,483
Accrued and other current liabilities	23,188	19,648
Current portion of long-term debt, net	2,848	—
Total current liabilities	26,365	21,131
Long-term debt, net	14,082	17,114
Warrant liability	1,001	4,941
Supply agreement liability, noncurrent	6,471	11,556
Other long-term liabilities	413	753
Total liabilities	48,332	55,495
Commitments and contingencies (Note 8)		
Shareholders' equity:		
Deferred shares, $1.098 par value, 40,000 shares authorized, issued and outstanding at September 30, 2021 and December 31, 2020	—	44
Ordinary shares, $0.01 par value, 600,000,000 shares authorized; 67,722,319 and 67,243,772 shares issued and outstanding at September 30, 2021 and December 31, 2020	678	672
Additional paid-in capital	377,218	370,447
Accumulated deficit	(337,203)	(305,558)
Total shareholders' equity	40,693	65,605
Total liabilities and shareholders' equity	$ 89,025	$ 121,100

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

STRONGBRIDGE BIOPHARMA plc

Consolidated Statements of Operations and Comprehensive Loss
(In thousands, except share and per share data)
(unaudited)

	Three Months Ended September 30		Nine Months Ended September 30,	
	2021	2020	2021	2020
Total revenues	$ 11,496	$ 8,071	$ 29,919	$ 22,505
Cost and expenses:				
Cost of sales (excluding amortization of intangible asset)	499	408	1,377	1,770
Selling, general and administrative	13,564	9,221	40,498	29,262
Research and development	4,515	6,771	15,750	20,475
Amortization of intangible asset	2,740	1,255	5,251	3,766
Total cost and expenses	21,318	17,655	62,876	55,273
Operating loss	(9,822)	(9,584)	(32,957)	(32,768)
Other expense, net:				
Interest expense	(836)	(523)	(2,428)	(776)
Unrealized gain on fair value of warrants	4,034	6,949	3,940	162
Other income (expense), net	35	(1)	(198)	253
Total other income (expense), net	3,233	6,425	1,314	(361)
Loss before income taxes	(6,589)	(3,159)	(31,643)	(33,129)
Income tax expense	(1)	—	(2)	—
Net loss	$ (6,590)	$ (3,159)	(31,645)	(33,129)
Other comprehensive loss:				
Unrealized loss on marketable securities	—		—	(3)
Comprehensive loss	$ (6,590)	$ (3,159)	$ (31,645)	$ (33,132)
Net loss attributable to ordinary shareholders:				
Basic	$ (6,590)	$ (3,159)	$ (31,645)	$ (33,129)
Diluted	$ (6,590)	$ (10,108)	$ (35,583)	$ (33,129)
Net loss per share attributable to ordinary shareholders:				
Basic	$ (0.10)	$ (0.06)	$ (0.47)	$ (0.60)
Diluted	$ (0.10)	$ (0.18)	$ (0.52)	$ (0.60)
Weighted-average shares used in computing net loss per share attributable to ordinary shareholders:				
Basic	67,843,854	56,105,155	67,719,155	54,883,975
Diluted	67,843,854	57,404,652	68,014,990	54,883,975

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

STRONGBRIDGE BIOPHARMA plc

Consolidated Statement of Shareholders' Equity
(In thousands, except share amounts)
(unaudited)

	Deferred Shares		Ordinary Shares		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Amount	Shares	Amount				
Balance—June 30, 2020	40,000	$ 44	54,355,957	$ 544	$ 337,734	$ (290,453)	—	$ 47,869
Net loss	—	—	—	—	—	(3,159)	—	(3,159)
Stock-based compensation	—	—	—	—	2,070	—	—	2,070
Ordinary shares issued, net of shares withheld for employee taxes	—	—	26,896	2	(84)	—	—	(82)
Issuance of shares, net of offering costs	—	—	12,511,111	123	27,747	—	—	27,870
Balance—September 30, 2020	40,000	$ 44	66,893,964	$ 669	$ 367,467	$ (293,612)	—	$ 74,568
Balance—December 31, 2019	40,000	$ 44	54,205,852	$ 542	$ 332,085	$ (260,483)	3	$ 72,191
Net loss	—	—	—	—	—	(33,129)	—	(33,129)
Stock-based compensation	—	—	—	—	5,594	—	—	5,594
Issuance of warrants and beneficial conversion feature related to the Loan Agreement	—	—	—	—	2,457	—	—	2,457
Issuance of shares, net of offering costs			12,511,111	125	27,747			27,872
Ordinary shares issued, net of shares withheld for employee taxes	—	—	177,001	2	(416)	—	—	(414)
Unrealized loss on marketable securities	—	—	—	—	—	—	(3)	(3)
Balance—September 30, 2020	40,000	$ 44	66,893,964	$ 669	$ 367,467	$ (293,612)	—	$ 74,568
Balance—June 30, 2021	—	$ —	67,722,319	$ 677	$ 374,327	$ (330,613)	—	$ 44,391
Net loss	—	—	—	—	—	(6,590)	—	(6,590)
Stock-based compensation	—	—	—	—	1,959	—	—	1,959
Beneficial conversion feature related to Loan Amendment					1,112			1,112
Common stock issued, net of shares withheld for employee taxes	—	—	149,545	1	(197)	—	—	(196)
Exercise of stock options	—	—	10,313	—	17	—	—	17
Balance—September 30, 2021	—	$ —	67,882,177	$ 678	$ 377,218	$ (337,203)	—	$ 40,693
Balance—December 31, 2020	40,000	$ 44	67,243,772	$ 672	$ 370,447	$ (305,558)	—	$ 65,605
Net loss	—	—	—	—	—	(31,645)	—	(31,645)
Stock-based compensation	—	—	—	—	6,318	—	—	6,318
Beneficial conversion feature related to Loan Amendment	—	—	—	—	1,112	—	—	1,112
Common stock issued, net of shares withheld for employee taxes	—	—	568,624	6	(896)	—	—	(890)
Exercise of stock options	—	—	58,470	—	155	—	—	155
At—the-market issuance	—	—	11,311	—	38	—	—	38
Cancellation of deferred shares	(40,000)	(44)	—	—	44	—	—	—
Balance—September 30, 2021	—	$ —	67,882,177	$ 678	$ 377,218	$ (337,203)	—	$ 40,693

* Represents an amount less than $1.

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

STRONGBRIDGE BIOPHARMA plc

Consolidated Statements of Cash Flow
(In thousands)
(unaudited)

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Cash flows from operating activities:		
Net loss	$ (31,645)	$ (33,129)
Adjustments to reconcile net loss income to net cash used in operating activities:		
Stock-based compensation	6,318	5,594
Amortization of intangible asset	5,251	3,766
Change in fair value of warrant liability	(3,940)	(162)
Amortization of debt discounts and debt issuance costs	927	406
Accretion of discounts on marketable securities	—	(53)
Depreciation	64	64
Changes in operating assets and liabilities:		
Accounts receivable	(2,524)	(606)
Inventory	(673)	493
Prepaid expenses and other current assets	(335)	(256)
Other assets	550	230
Accounts payable	(1,154)	(1,743)
Accrued and other liabilities	(4,384)	(7,738)
Net cash used in operating activities	(31,545)	(33,134)
Cash flows from investing activities:		
Sales and maturities of marketable securities	—	21,122
Purchases of property and equipment	(10)	(10)
Net cash (used in) provided by investing activities	(10)	21,112
Cash flows from financing activities:		
Payments related to tax withholding for net-share settled equity awards	(890)	(414)
Proceeds from exercise of stock options	155	—
Proceeds from issuance of ordinary shares in connection with at-the-market offering, net	38	—
Proceed from long-term debt, net	—	9,325
Proceeds from issuance of ordinary shares, net	—	27,872
Net cash (used in) provided by financing activities	(697)	36,783
Net (decrease) increase in cash and cash equivalents	(32,252)	24,761
Cash and cash equivalents—beginning of period	87,522	57,032
Cash and cash equivalents—end of period	$ 55,270	$ 81,793
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	$ 1,501	$ —
Income taxes other, net of refunds	$ 1,301	$ —
Supplemental disclosures of noncash investing information:		
Unpaid sales milestone	$ 2,500	

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

STRONGBRIDGE BIOPHARMA plc

Notes to Unaudited Consolidated Financial Statements

1. Organization

We are a global, commercial-stage biopharmaceutical company focused on the development and commercialization of therapies for rare diseases with significant unmet needs.

Our first commercial product is Keveyis (dichlorphenamide), the first and only treatment approved by the U.S. Food and Drug Administration (the "FDA") for hyperkalemic, hypokalemic, and related variants of primary periodic paralysis ("PPP"), a group of rare hereditary disorders that cause episodes of muscle weakness or paralysis.

We have two clinical-stage product candidates for rare endocrine diseases, Recorlev and veldoreotide. Recorlev (levoketoconazole), the pure 2S,4R enantiomer of the enantiomeric pair comprising ketoconazole, is a next-generation steroidogenesis inhibitor being investigated as a chronic therapy for adults with endogenous Cushing's syndrome. Veldoreotide is a next-generation somatostatin analog being investigated for potential applications in conditions amenable to somatostatin receptor activation. Both levoketoconazole and veldoreotide have received orphan designation from the FDA and the European Medicines Agency ("EMA")

Transaction Agreement with Xeris Pharmaceuticals, Inc.

On May 24, 2021, we announced that we had signed an agreement to be acquired by Xeris Pharmaceuticals, Inc. ("Xeris"). Upon close of the transaction, the businesses of Xeris and Strongbridge Biopharma plc ("Strongbridge") will be combined under a new entity to be called Xeris Biopharma Holdings, Inc. ("Xeris Biopharma Holdings"). The agreement, including the maximum aggregate amount payable under the contingent value rights (the "CVRs"), values Strongbridge at approximately $267 million based on the closing price of Xeris common stock of $3.47 on May 21, 2021, and Strongbridge's fully diluted share capital.

For more information relating to the merger, please see Note 12.

2. Summary of significant accounting policies and basis of presentation

Basis of presentation

These unaudited consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States ("U.S. GAAP"). The unaudited consolidated financial statements reflect all adjustments, which include only normal recurring adjustments that are, in the opinion of management, necessary to present a fair statement of the operating results and financial position for the periods presented.

The preparation of the unaudited consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts and disclosures in the consolidated financial statements. Actual results could differ from those estimates. Results for the nine months ended September 30, 2021, are not necessarily indicative of the results that may be expected for the year ending December 31, 2021.

These unaudited consolidated financial statements should be read in conjunction with the accounting policies and notes to the audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, filed with the U.S. Securities and Exchange Commission on March 3, 2021 (the "2020 Annual Report"). Our significant accounting policies are described in Note 2 of the notes to the audited consolidated financial statements included in our 2020 Annual Report. Since the date of those financial statements, there have been no changes to our significant accounting policies.

Leases

We account for leases in accordance with Accounting Standards Codification Topic 842, *Leases* ("ASC 842"). We determine if an arrangement is a lease at contract inception. A lease exists when a contract conveys to us the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. The definition of a lease embodies two conditions: (1) there is an identified asset in the contract that is land or a depreciable asset (*i.e.*, property, plant, and equipment), and (2) we have the right to control the use of the identified asset.

Operating leases where we are the lessee are included in Right of use ("ROU") assets and Accrued and other current liabilities and Other long-term liabilities on our Consolidated Balance Sheets. The lease liabilities are initially and subsequently measured at the present value of the unpaid lease payments at the lease commencement date.

Key estimates and judgments include how we determined (1) the discount rate we use to discount the unpaid lease payments to present value, (2) lease term and (3) lease payments.

ASC 842 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. Because our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the lease commencement date in determining the present value of lease payments. Our incremental borrowing rate for a lease is the rate of interest we would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms.

The lease term for all of our leases includes the noncancellable period of the lease. Lease payments included in the measurement of the lease asset or liability are comprised of our fixed payments.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date less any lease incentives received.

For operating leases, the ROU asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

We monitor for events or changes in circumstances that require a reassessment of a lease. If a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset unless doing so would reduce the carrying amount of the ROU asset to an amount less than zero. In that case, the amount of the adjustment that would result in a negative ROU asset balance is recorded in profit or loss.

We have elected not to recognize ROU assets and lease liabilities for all short-term leases that have a lease term of 12 months or less. We recognize the lease payments associated with our short-term leases as an expense on a straight-line basis over the lease term. Variable lease payments associated with these leases are recognized and presented in the same manner as for all of our other leases.

Cash, cash equivalents and marketable securities

We consider all short-term highly liquid investments with an original maturity at the date of purchase of three months or less to be cash equivalents. Cash and cash equivalents consist of account balances at banks and money market accounts, respectively.

We occasionally invest our excess cash balances in marketable debt securities of highly rated financial institutions. We seek to diversify our investments and limit the amount of investment concentrations for individual institutions, maturities and investment types. We classify marketable debt securities as available-for-sale and, accordingly, record such securities at fair value. We classify these securities as current assets as these investments are available to us for use in funding current operations. There were no marketable securities as of September 30, 2021 or December 31, 2020.

Unrealized gains and losses on marketable debt securities are recorded as a separate component of Accumulated other comprehensive income (loss) included in shareholders' equity.

Segment information

Operating segments are identified as components of an enterprise for which separate discrete financial information is available for evaluation by the chief operating decision-maker in making decisions on how to allocate resources and assess performance. We view our operations and manage our business in one operating segment.

Net loss per share

Basic net loss per share is calculated by dividing the net loss attributable to shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted net loss per share is calculated by dividing the net loss attributable to shareholders by the weighted-average number of ordinary shares outstanding for the period, including any dilutive effect from outstanding stock options or other equity-based instruments. Shares used in the diluted net loss per share calculations exclude anti-dilutive ordinary share equivalents, which currently consist of outstanding stock options, unvested restricted stock units ("RSUs"), equity-classified warrants and the conversion feature of our outstanding term loan agreement.

The following potentially dilutive securities have been excluded from the computations of diluted weighted-average shares outstanding for the nine months ending September 30, 2021 and 2020, as they would be anti-dilutive:

	September 30,	
	2021	**2020**
Warrants	7,368,033	7,100,643
Stock options issued and outstanding	8,188,616	10,146,820
Unvested RSUs	2,669,691	1,355,660
Conversion feature of our outstanding term loan agreement	4,464,285	1,339,285

3. Revenue recognition

Product sales, net

We sell Keveyis to one specialty pharmacy provider (the "Customer"), who is the exclusive distributor of Keveyis in the United States. The Customer subsequently resells Keveyis to patients, most of whom are covered by payors that may provide for government-mandated or privately negotiated rebates with respect to the purchase of Keveyis.

Revenues from sales of Keveyis are recognized when we satisfy a performance obligation by transferring control of the product to the Customer. Transfer of control occurs upon receipt of the product by the Customer. We expense incremental costs related to the set-up of contracts with the Customer when incurred, as these costs do not meet the criteria for capitalization.

Reserves for variable consideration

Revenues from sales of Keveyis are recorded at the net sales price (transaction price), which includes estimates of variable consideration for which reserves are established and that result from rebates, co-pay assistance and other allowances that are offered between us and the patients' payors. There is no variable consideration reserve for returns as we do not accept returns of Keveyis. These reserves are based on the amounts earned or to be claimed on the related sales and are classified as reductions of accounts receivable (if the amount is payable to the Customer) or a current liability (if the amount is payable to a party other than the Customer). Where appropriate, these estimates may take into consideration a range of possible outcomes that are probability-weighted for relevant factors such as our historical experience, current contractual and statutory requirements, specific known market events and trends, industry data and forecasted buying and payment patterns of the Customer. Overall, these reserves reflect our best estimates of the amount of consideration to which we are entitled based on the terms of the contract. The amount of variable consideration that is included in the transaction price may be constrained and is included in the net sales price only to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur in a future period. Actual amounts of consideration ultimately received may differ from our estimates. We reassess our estimates on an ongoing basis. If actual results in the future vary from our estimates, we will adjust our estimates. Any such adjustments would affect net product revenue and earnings in the period such variances become known.

Trade Discount: We provide the Customer with a discount that is explicitly stated in our contract and is recorded as a reduction of revenue in the period the related product revenue is recognized. In addition, we receive sales order management, data and distribution services from the Customer. To the extent the services received are distinct from our sale of Keveyis to the Customer, these payments are classified in selling, general and administrative expenses in our consolidated statement of operations and comprehensive loss.

Funded Co-pay Assistance Program: We contract with a third-party to manage the co-pay assistance program intended to provide financial assistance to qualified insured patients. The calculation of the accrual for co-pay assistance is based on an estimate of claims and the cost per claim that we expect to receive associated with Keveyis that has been recognized as revenue, but remains in the distribution channel inventories at the end of each reporting period. These payments are consideration payable to the Customer and the related reserve is recorded in the same period the related revenue is recognized, resulting in a reduction of product revenue and the establishment of a current liability which is included in accrued expenses on the consolidated balance sheet.

Government Rebates: We are subject to discount obligations under state Medicaid programs and Medicare. We estimate our Medicaid and Medicare rebates for the estimated patient mix. These reserves are recorded in the same period the related revenue is recognized, resulting in a reduction of product revenue and the establishment of a current liability, which is included in accrued expenses on the consolidated balance sheet. For Medicaid, accruals are based on estimates of future Medicaid beneficiary utilization applied to the Medicaid unit rebate formula established by the Center for Medicaid and Medicare Services. Manufacturers of pharmaceutical products are responsible for 70% of the patient's cost of branded prescription drugs related to the Medicare Part D Coverage Gap. In order to estimate the cost to us of this Medicare coverage gap responsibility, we estimate the number of patients in the prescription drug coverage gap for whom we will owe an additional liability under the Medicare Part D program. Our liability for these rebates consists of estimates of claims for the current quarter and estimated future claims that will be made for Keveyis transactions that have been recognized as revenue but remain in the Customer's inventory at the end of each reporting period.

Temporary Supply and Patient Assistance Programs: We provide free Keveyis to uninsured patients who satisfy pre-established criteria for either the Temporary Supply Program or the Patient Assistance Program. Patients who meet the Temporary Supply Program eligibility criteria may receive a temporary supply of free Keveyis for no more than 60 days while there is a determination of the patient's third-party insurance, prescription drug benefit or other third-party coverage for Keveyis. The Patient Assistance Program provides free Keveyis for up to 12 months to uninsured patients who satisfy pre-established criteria for financial need. We do not recognize any revenue related to these free products and the associated costs are classified in selling, general and administrative expenses in our consolidated statements of operations and comprehensive loss.

4. Fair value measurements

We record financial assets and liabilities at fair value. Because of their short-term nature, the amounts reported in the balance sheet for cash, accounts receivable and accounts payable approximate fair value.

The guidance requires fair value measurements to maximize the use of "observable inputs." The three-level hierarchy of inputs to measure fair value are as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. Because of their short-term nature, the amounts reported in the balance sheet for cash and accounts payable approximate fair value.

Level 2: Significant observable inputs other than Level 1 prices such as quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (*i.e.*, supported by little or no market activity). The fair values of the outstanding warrants were measured using the Black-Scholes option-pricing model. Inputs used to determine estimated fair value of the warrant liabilities include the estimated term of the warrants, risk-free interest rates, and the expected volatility of the underlying stock. The significant unobservable inputs used in the fair value measurement of the warrant liabilities were the volatility rate and the estimated term of the warrants. Generally, increases and decreases in the fair value of the underlying stock and estimated term would result in a directionally similar impact to the fair value measurement.

We did not have any transfers between the different levels.

The following table presents our assets and liabilities that are measured at fair value on a recurring basis for the periods presented (in thousands):

	As of September 30, 2021			
	Level I	Level II	Level III	Total
Cash and Cash equivalents	55,270	—	—	55,270
Total assets	$ 55,270	$ —	$ —	$ 55,270
Warrant liability	—	—	1,001	1,001
Total liabilities	$ —	$ —	$ 1,001	$ 1,001

	As of December 31, 2020			
	Level I	Level II	Level III	Total
Cash and Cash equivalents	87,522	—	—	87,522
Total assets	$ 87,522	$ —	$ —	$ 87,522
Warrant liability	—	—	4,941	4,941
Total liabilities	$ —	$ —	$ 4,941	$ 4,941

The following table presents a reconciliation of our level 3 warrant liability (in thousands):

	As of September 30, 2021
Balance as of December 31, 2020	$ 4,941
Unrealized gain on fair value of warrants for nine months ended September 30, 2021	(3,940)
Balance as of September 30,2021	$ 1,001

5. Intangible asset and goodwill

The following represents the balance of our intangible asset and goodwill as follows (in thousands):

	As of September 30, 2021			
	Beginning of Period	Amortization	Additions	End of Period
Keveyis	$ 20,088	$ (5,251)	$ 2,500	$ 17,337
Goodwill	7,256	—	—	7,256
Total	$ 27,344	$ (5,251)	$ 2,500	$ 24,593

Our finite-lived intangible asset consists of acquired developed product rights obtained from our acquisition of Keveyis (dichlorphenamide) from a subsidiary of Taro Pharmaceutical Industries Ltd. ("Taro").

Pursuant to the terms of the Asset Purchase Agreement and Supply Agreement that we entered into with Taro in December 2016, we paid Taro an upfront payment in two installments of $1 million in December 2016 and $7.5 million in March 2017 and will pay an aggregate of $7.5 million in potential milestone payments upon the achievement of certain product sales targets. Taro has agreed to continue to manufacture Keveyis for us under an exclusive supply agreement through the orphan exclusivity period. We are obligated to purchase from Taro certain annual minimum amounts of product totaling approximately $29 million over a six-year period. We have concluded that the supply price payable by us exceeds fair value and, therefore, have used a discounted cash flow method with a probability assumption to value the payments in excess of fair value at $29.3 million, for which we have recorded an intangible asset and corresponding liability. This liability is being reduced as we purchase inventory over the term of the Supply Agreement that we entered into with Taro. In addition, we incurred transaction costs of $2.4 million. The transaction resulted in the recording of an intangible asset of $40.2 million. This asset is being amortized over an eight-year period using the straight-line method.

In the third quarter of 2021, we achieved our first Keveyis sales milestone per the Asset Purchase Agreement, which triggered a $2.5 million sales milestone liability, which is recorded in our Accrued and other current liabilities within our Consolidated Balance Sheet. Along with this liability, we increased our Keveyis intangible asset by $2.5 million and recognized $1.5 million of cumulative amortization expense.

We recorded amortization expense of $2.7 million and $5.3 million for the three and nine months ended September 30, 2021, and amortization expense of $1.3 million and $3.8 million for the three and nine months ended September 30, 2020.

6. Long-term debt

On May 19, 2020, we entered into a $30 million Term Loan Agreement (the "Loan Agreement") with Avenue Venture Opportunities Fund L.P. ("Avenue"), as administrative agent and collateral agent, and the lenders named therein and from time to time a party thereto (the "Lenders"). Pursuant to the terms of the Loan Agreement, our wholly-owned subsidiary, Strongbridge U.S. Inc. (the "Borrower") borrowed $10 million (the "Initial Loan") from the Lenders at closing. As a result of achieving positive top-line data for Recorlev in our Phase 3 LOGICS clinical trial in September 2020, we borrowed an additional $10 million under the Loan Agreement (the "Second Loan") on December 30, 2020.

The Loan Agreement has a four-year term, no minimum revenue or cash balance financial covenants and an interest-only period for 24 months that can increase to 36 months assuming we receive FDA approval of Recorlev. Amounts borrowed under the Loan Agreement accrue interest at a floating rate per annum (based on a year of 365 days) equal to the sum of (a) the greater of (x) the Prime Rate reported in The Wall Street Journal on the last business day of the month that immediately precedes the month in which the interest will accrue, and (y) 3.25%, plus (b) 6.75%. The interest rate as of September 30, 2021 was 10%.

We paid a commitment fee of $200,000 (1% of the amounts of the Initial Loan and the Second Loan) at closing. We are also required to pay the Lenders a final payment fee upon repayment or prepayment of any loans made under the Loan Agreement in accordance with the terms and conditions of the Loan Agreement.

Under the terms of the Loan Agreement, we may prepay all or a portion of the outstanding principal amount of any loans outstanding under the Loan Agreement at any time upon prior notice to the Lenders subject to a prepayment premium (which reduces after the first year) and the payment of the pro rata portion of the final payment fee (to the extent not already paid) based on the amount of loans being prepaid. In certain circumstances, including a change of control and certain asset sales or licensing transactions, we may be required to prepay all or a portion of loans outstanding, and, to the extent required under the terms of the Loan Agreement, the applicable prepayment premium and final payment fee.

As security for our obligations under the Loan Agreement, we entered into a security agreement with Avenue, pursuant to which we granted a lien on substantially all of our assets, including intellectual property, to the Secured Parties (as such term is defined in the Loan Agreement).

Avenue has the right to convert up to $3 million of the aggregate principal amount of any loans outstanding under the Loan Agreement into ordinary shares at a price per share of $2.24. We have accounted for this term as a beneficial conversion feature, and the fair value is recorded into Additional paid-in capital. This amount is recorded as a debt discount and classified as a contra-liability on the consolidated balance sheet and amortized to interest expense over the term of the loan.

In connection with the execution of both the Loan Agreement and the Second Loan, we issued to Avenue warrants to purchase up to an aggregate of 267,390 ordinary shares at an exercise price (the "Exercise Price") of $1.87 (which is equal to the five-day volume weighted average price as of the trading day immediately prior to execution of the financing agreement) for each of the tranches of debt, respectively. The warrants are exercisable, in full or in part, at any time prior to five years following the issue date for both tranches of the loan. We accounted for these warrants as equity, and the fair value is recorded into Additional paid-in capital. This amount is recorded as a debt discount and classified as a contra-liability on the consolidated balance sheet and amortized to interest expense over the term of the loan. If we borrow the Third Loan, we will be required to issue to the Lenders or their designees additional warrants to purchase ordinary shares equal to an aggregate of 5% of the Third Loan divided by the Exercise Price, rounded down to the nearest whole share.

For more information relating to the merger, please see Note 12.

Loan Amendment

On July 23, 2021, Strongbridge, the Borrower and Avenue entered into an amendment (the "Loan Amendment") to the Loan Agreement.

Under the Term Loan Agreement, Strongbridge granted to Avenue an option to convert up to $3 million of the aggregate principal amount of any loans outstanding under the Loan Agreement into Strongbridge ordinary shares (the "Conversion Option"). The Loan Amendment amends the Conversion Option such that $10 million of the aggregate principal amount of any loans outstanding under the Loan Agreement will automatically convert into Strongbridge ordinary shares immediately prior to the completion of the acquisition of Strongbridge by Xeris. The conversion price remains unchanged at $2.24 per share. The amendment was treated as a loan modification. Thus, we accounted for this term as a beneficial conversion feature, and the fair value of $1.1 million is recorded into Additional paid-in capital. This amount is recorded as a debt discount and classified as a contra-liability on the consolidated balance sheet and amortized into interest expense over the term of the loan.

This amendment became effective immediately prior to the close of our acquisition by Xeris resulting in $10 million of principal converted into 4,464,285 Strongbridge ordinary shares.

Future principal payments due under the Loan Agreement, if the interest payment only period is not extended beyond the current 24-month period, are as follows (in thousands):

	Principal Payments
2021	$ —
2022	5,833
2023	10,000
2024	4,167
Total future payments	$ 20,000

7. Accrued and other current liabilities

Accrued and other current liabilities consist of the following (in thousands):

	September 30, 2021	December 31, 2020
Consulting and professional fees	$ 6,157	$ 2,754
Supply agreement – current portion	5,085	4,391
Accrued sales allowances	4,866	4,312
Employee compensation	3,496	5,749
Accrued royalties	2,999	301
Lease liability - current portion	448	415
Other	129	72
Accrued taxes	8	1,161
Severance	—	493
Total accrued and other current liabilities	$ 23,188	$ 19,648

8. Commitments and contingencies

(a) Commitments to Taro Pharmaceuticals Industries Ltd.

As of September 30, 2021, our remaining obligation under the Supply Agreement (see Note 5) was $14.1 million. The agreement with Taro may extend beyond the orphan exclusivity period unless terminated by either party pursuant to the terms of the agreement. If terminated by Taro at the conclusion of the orphan exclusivity period, we have the right to manufacture the product on our own or have the product manufactured by a third party on our behalf. We are also required to reimburse Taro for its royalty obligation resulting from its sale of Keveyis to us.

(b) Indemnifications

In the ordinary course of business and in connection with the sale of assets and businesses and other transactions, we often agree to indemnify our counterparties against certain liabilities that may arise in connection with a transaction or that are related to events and activities prior to or following a transaction, such as breaches of contracts, unfavorable tax consequences and employee liabilities. If a counterparty were to make a successful indemnification claim against us, we may be required to reimburse the loss and such amount could be material to our consolidated financial statements. Where appropriate, the obligation for such indemnifications is recorded as a liability. Because these agreements generally do not specify the maximum amount of indemnification a counterparty may be entitled to, the overall maximum amount of our potential indemnification liability under these agreements cannot be reasonably estimated. However, we believe that the likelihood of a material liability being triggered under these indemnification obligations is not probable at this time.

9. Taxes

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences of differences between the carrying amounts and tax bases of assets and liabilities and operating loss carryforwards and other attributes using enacted rates expected to be in effect when those differences reverse. Valuation allowances are provided against deferred tax assets that are not more likely than not to be realized.

We assess our ability to realize deferred tax assets. Changes in future earnings projections, among other factors, may cause us to adjust our valuation allowance on deferred tax assets. Any such adjustments would impact our income tax expense in the period in which it is determined that these factors have changed.

We recorded income tax expense of $1,000 and $2,000 for the three and nine months ended September 30, 2021 and did not record an expense for the three and nine months ended September 30, 2020.

10. Ordinary Shares

Equity transactions

We entered into an equity distribution agreement with JMP Securities LLC ("JMP") on April 28, 2017, pursuant to which we could sell, at our option, from time to time, up to an aggregate of $40 million of our ordinary shares through JMP, as sales agent. The agreement provided for a commission to JMP equal to 3% of the gross proceeds from the sale of our ordinary shares under this at-the-market ("ATM") facility. Pursuant to the terms of the equity distribution agreement, we reimbursed JMP for certain out-of-pocket expenses, including the fees and disbursements of counsel to JMP, incurred in connection with establishing the ATM facility and provided JMP with customary indemnification rights. During the three months ended March 31, 2021, we sold an aggregate of 11,311 ordinary shares under the ATM facility at an average selling price of $3.36 per share, resulting in net proceeds of approximately $38,000 after payment of fees to JMP of $1,100. This equity distribution agreement was terminated on March 24, 2021.

We entered into an equity distribution agreement with Jefferies LLC ("Jefferies") on March 25, 2021, pursuant to which we could sell, at our option, from time to time, up to an aggregate of $50 million of our ordinary shares through Jefferies, as sales agent. We would pay Jefferies a commission equal to 3% of the gross proceeds from the sale of our ordinary shares under the ATM facility. Pursuant to the terms of the equity distribution agreement, we reimbursed Jefferies for certain out-of-pocket expenses, including the fees and disbursements of counsel to Jefferies, incurred in connection with establishing the ATM facility and have provided Jefferies with customary indemnification rights. We did not sell any shares under this agreement.

Warrants

Our outstanding warrants as of September 30, 2021, are as follows:

	Classification	Exercise Price	Expiration Date	Warrants Issued	Warrants Exercised	Warrants Outstanding September 30, 2021
Warrants in connection with private equity placement	Liability	$ 2.50	6/28/2022	7,000,000	(1,970,000)	5,030,000
Warrants in connection with Horizon and Oxford loan agreement	Equity	$ 2.45	12/28/2026	428,571	(267,857)	160,714
Warrants in connection with CRG loan agreement	Equity	$ 7.37	7/14/2024	394,289	—	394,289
Warrants in connection with CRG loan amendment in January 2018	Equity	$ 10.00	1/16/2025	1,248,250	—	1,248,250
Warrants in connection with Avenue Capital loan agreement	Equity	$ 1.87	5/19/2025	267,390	—	267,390
Warrants in connection with Avenue Capital loan agreement	Equity	$ 1.87	12/30/2025	267,390	—	267,390
				9,605,890		7,368,033

11. Stock-based compensation

Our board of directors has adopted the 2017 Inducement Plan (the "Inducement Plan"). The Inducement Plan provides for the grant of equity-based awards to new employees. The purpose of the Inducement Plan is to attract valued employees by offering them a greater stake in our success and a closer identity with us, and to encourage ownership of our ordinary shares by such employees. The Inducement Plan became effective on February 23, 2017. As of September 30, 2021, 1,337,728 shares are available for issuance pursuant to the Inducement Plan.

Our board of directors has adopted, and our shareholders have approved, the 2015 Equity Compensation Plan (the "2015 Plan"). The 2015 Plan provides for the grant of incentive stock options to our employees and any parent or subsidiary corporation's employees, and for the grant of nonstatutory stock options, stock awards, and RSUs to our employees, directors and consultants and our parent or subsidiary corporations' employees and consultants. The 2015 Plan became effective on September 3, 2015. As of September 30, 2021, 2,587,527 shares are available for issuance pursuant to the 2015 Plan.

Our board of directors has adopted, and our shareholders have approved, the Non-Employee Director Equity Compensation Plan (the "Non-Employee Director Plan"). The Non-Employee Director Plan provides for the grant of nonstatutory stock options, stock awards, and RSUs to our non-employee directors. The Non-Employee Director Plan became effective on September 3, 2015. As of September 30, 2021, 207,247 shares are available for issuance pursuant to the Non-Employee Director Plan.

A summary of our outstanding stock options as of September 30, 2021, is as follows:

	Options Outstanding			
	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding—January 1, 2021	8,989,306	$ 4.81	6.58	$ 350
Granted	182,300	$ 2.62		
Exercised	(58,470)			
Forfeited, cancelled and expired	(924,520)	$ 4.25		
Outstanding—September 30, 2021	8,188,616	$ 4.83	6.77	$ 156
Vested and exercisable—September 30, 2021	5,755,534	$ 5.43	6.22	$ 67

The weighted average grant date fair value of stock options granted during the nine months ended September 30, 2021 and 2020 was $1.93 and $2.00, respectively.

Restricted stock units

We grant RSUs to employees and to members of our board of directors. RSUs that are granted to employees vest one, two or three years from the date of issuance, provided that the employee is employed by us on such vesting date. RSUs that are granted to directors' vest on the one-year anniversary of the grant date, provided that the director continues to serve as a member of the board of directors continuously from the grant date through such one-year anniversary. All RSUs will fully vest upon a change of control of our company. If and when the RSUs vest, we will issue one ordinary share for each whole RSU that has vested, subject to satisfaction of the employee's or director's tax withholding obligations. The RSUs will cease to be outstanding upon the issuance of ordinary shares upon vesting. We recorded expense related to RSUs, which is included in the stock-based compensation table below, of $2.8 million and $0.7 million for the nine months ended September 30, 2021 and 2020, respectively. As of September 30, 2021, the total unrecognized compensation expense related to unvested RSUs is $4.6 million, which we expect to recognize over an estimated weighted-average period of 0.88 years.

A summary of our unvested RSUs as of September 30, 2021 is as follows:

	Number of Shares
Outstanding—January 1, 2021	1,350,300
Granted	2,404,525
Forfeited	(211,650)
Vested	(873,484)
Unvested—September 30, 2021	2,669,691

Stock-based compensation expense

We recognized stock-based compensation expense for employees and directors for stock options and RSUs as follows (in thousands):

	Three Months Ended September 30,		Nine months Ended September 30,	
	2021	2020	2021	2020
Selling, general and administrative	$ 1,473	$ 1,580	$ 4,778	$ 4,130
Research and development	486	490	1,540	1,464
Total stock-based compensation	$ 1,959	$ 2,070	$ 6,318	$ 5,594

As of September 30, 2021, the total unrecognized compensation expense related to unvested stock options is $5.1 million, which we expect to recognize over an estimated weighted-average period of 1.72 years.

In determining the estimated fair value of our service-based awards, we use the Black-Scholes option-pricing model and assumptions discussed below. Each of these inputs is subjective and generally requires significant judgment. The fair value of our service-based awards that were granted during the nine months period ending September 30, 2021 and 2020 was estimated with the following assumptions:

	Nine months Ended September 30,	
	2021	2020
Expected term (in years)	6.25	6.08
Risk-free interest rate	0.59%-1.06%	0.37%-1.48%
Expected volatility	79.86%-82.21%	78.15%-80.74%
Dividend rate	—%	—%

For more information relating to the merger, please see Note 12.

12. Subsequent Events

Transaction Agreement with Xeris Pharmaceuticals, Inc.

On October 5, 2021 ("acquisition closing date"), pursuant to the Transaction Agreement, Xeris completed its acquisition of Strongbridge. Upon completion of the Acquisition, (i) Strongbridge was acquired by means of the Acquisition pursuant to a scheme of arrangement (the "Scheme") under Irish law pursuant to which HoldCo acquired all of the outstanding ordinary shares of Strongbridge ("Strongbridge Shares") in exchange for (i) 0.7840 of a share of HoldCo's common stock ("Xeris Shares") and cash in lieu of fractions of HoldCo Shares in exchange for each Strongbridge Share held by such Strongbridge Shareholders and (ii) one (1) non-tradeable CVR, worth up to a maximum of $1.00 per Strongbridge Share settleable in cash, additional HoldCo Shares, or a combination of cash and additional HoldCo Shares, at HoldCo's sole election. and (ii) MergerSub merged with and into the Company, with the Company as the surviving corporation in the merger (the "Merger," and the Merger together with the Acquisition, the "Transactions"). Immediately following the consummation of the Acquisition, both Xeris and Strongbridge became wholly owned subsidiaries of Xeris Biopharma Holdings, Inc. The common stock of Xeris and Strongbridge were de-registered after completion of the Mergers. On October 5, 2021, HoldCo's common stock, par value $0.0001 per share, commenced trading on the Nasdaq Global Select Market ("Nasdaq") under the ticker symbol "XERS".

All of our outstanding restricted stock units vested immediately prior to the closing of this transaction, and all of our outstanding stock options vested immediately prior to the closing of this transaction and converted into options to purchase Xeris Biopharma Holdings common stock. All warrants were exchanged for warrants in Xeris based on their respective warrant agreement.

Additionally, as part of our loan amendment, $10 million of loan principal was converted into 4,464,285 Strongbridge ordinary shares immediately prior to the completion of the acquisition of Strongbridge by Xeris Pharmaceuticals, Inc, at a conversion price of $2.24 per share. The remaining amount of the loan was extinguished, resulting in a $2.0 million early extinguishment loss.

The subsequent events have been evaluated through January 28, 2022, which is the date these consolidated financial statements were issued.

Unaudited Pro Forma Condensed Combined Financial Information of Xeris Biopharma Holdings, Inc.

The following unaudited pro forma condensed combined financial information of Xeris Biopharma Holdings, Inc. (the "Company") is presented to illustrate the estimated effects of the Acquisition (defined in Note 1) of Strongbridge Biopharma plc ("Strongbridge") by Xeris Pharmaceuticals, Inc. ("Xeris Pharma"). The following unaudited pro forma condensed combined balance sheet as of September 30, 2021 and the unaudited pro forma condensed combined statements of operations and comprehensive loss for the fiscal year ended December 31, 2020 and for the nine months ended September 30, 2021 are based upon, derived from and should be read in conjunction with, the historical audited financial statements of Xeris Pharma (which were included in Xeris Pharma's Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 9, 2021), historical audited financial statements of Strongbridge (which were included in Strongbridge's Annual Report on Form 10-K filed with the SEC on March 3, 2021), historical unaudited financial statements of Xeris Pharma for the nine months ended September 30, 2021 (which were included in the Company's Quarterly Report on Form 10-Q filed with the SEC on November 10, 2021) and historical unaudited financial statements of the Strongbridge for the nine months ended September 30, 2021 (which were included in the Company's Current Report on Form 8-K filed with the SEC on January 28, 2022). The Acquisition is accounted for as a business combination using the acquisition method of accounting under the provisions of Accounting Standards Codification (ASC) 805, "Business Combinations."

The pro forma adjustments are preliminary and are based upon available information and certain assumptions which management believes are reasonable under the circumstances and which are described in the accompanying notes to the unaudited pro forma condensed combined financial information. Actual results may differ materially from the assumptions used in the accompanying unaudited pro forma condensed combined financial information. Under ASC 805, generally all assets acquired and liabilities assumed were recorded at the acquisition closing date fair value. For pro forma purposes, the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed are based on the fair value as of October 5, 2021. Any excess of the purchase price over the fair value of identified assets acquired and liabilities assumed was recognized as goodwill. Significant judgment is required in determining the estimated fair values of in-process research and development ("IPR&D"), other identifiable intangible assets and certain other assets and liabilities. Such valuation requires estimates and assumptions including, but not limited to, estimating future cash flows and direct costs, determining the timing and estimated costs to complete each in-process research project and projecting the timing of regulatory approvals, in addition to developing the appropriate discount rates and current market profit margins.

The unaudited pro forma condensed combined statements of operations and comprehensive loss for the fiscal year ended December 31, 2020 and the nine months ended September 30, 2021 assume the Acquisition occurred on January 1, 2020. The unaudited pro forma condensed combined balance sheet as of September 30, 2021 assumes the Acquisition occurred on September 30, 2021. The unaudited pro forma condensed combined financial information has been prepared by management in accordance with the regulations of the SEC and is not necessarily indicative of the combined financial position or results of operations that would have been realized had the Acquisition occurred as of the dates indicated, nor is it meant to be indicative of any anticipated combined financial position or future results of operations that the Company will experience after the Acquisition.

The accompanying unaudited pro forma condensed combined statements of operations and comprehensive loss do not include any expected cost savings, operating synergies, or revenue enhancements, which may be realized subsequent to the Acquisition or any integration-related costs. No material transactions existed between Xeris Pharma and Strongbridge during the pro forma period.

This unaudited pro forma condensed combined financial information should be read in conjunction with the accompanying notes and assumptions as well as the historical consolidated financial statements and related notes of Xeris Pharma and Strongbridge filed with the SEC.

Unaudited Pro Forma Condensed Combined Balance Sheet
As of September 30, 2021
(in thousands)

	Xeris Pharma	Strongbridge	Pro Forma Reclasses		Pro Forma Adjs		Pro Forma Combined
Assets	(unaudited)	(unaudited)					
Current assets:							
Cash and cash equivalents	$ 59,492	$ 55,270	$ —		$ (10,900)	6(a)	$ 103,862
Short-term investments	33,491	—	—		—		33,491
Trade accounts receivable, net	13,561	5,325	—		—		18,886
Inventory	14,241	1,173	—		310	6(b)	15,724
Prepaid expenses and other current assets	3,582	1,261	—		—		4,843
Total current assets	124,367	63,029	—		(10,590)		176,806
Property and equipment, net	6,682	162	—		—		6,844
Intangible asset	—	17,337	—		(6,337)	6(c)	11,000
IPR&D intangible asset	—	—	—		121,000	6(d)	121,000
Goodwill	—	7,256	—		10,479	6(e)	17,735
Other assets	211	1,241	—		—		1,452
Total assets	$ 131,260	$ 89,025	$ —		$ 114,552		$ 334,837
Liabilities and Stockholders' (Deficit) Equity							
Current liabilities:							
Accounts payable	$ 4,290	$ 329	$ —		$ —		$ 4,619
Current portion of long-term debt, net	—	2,848	—		(2,848)	6(g)	—
Other accrued liabilities	22,957	23,188	(9,951)	8(a)(d)	2,595	6(f)	38,789
Accrued trade discounts and rebates	6,782	—	4,866	8(a)	—		11,648
Supply agreement liability, current	—	—	5,085	8(d)	—		5,085
Accrued returns reserve	3,161	—	—		—		3,161
Other current liabilities	95	—	—		—		95
Total current liabilities	37,285	26,365	—		(253)		63,397
Long-term debt, net of unamortized debt issuance costs	87,713	14,082	—		(14,082)	6(g)	87,713
Deferred rent	6,826	—	—		—		6,826
Warrant liability	—	1,001	—		(94)	6(h)	907
Contingent value rights liability	—	—	—		22,531	6(i)	22,531
Supply agreement liability, noncurrent	—	6,471	—		444	6(j)	6,915
Other liabilities	1,897	413	—		—		2,310
Total liabilities	133,721	48,332	—		8,546		190,599
Stockholders' equity:							
Ordinary shares	—	678	—		(678)	6(k)	—
Common stock	7	—	—		6	6(k)	13
Additional paid in capital	406,878	377,218	—		(227,930)	6(k)	556,166
Accumulated deficit	(409,320)	(337,203)	—		334,608	6(k)	(411,915)
Accumulated other comprehensive loss	(26)	—	—		—		(26)
Total stockholders' (deficit) equity	(2,461)	40,693	—		106,006		144,238
Total liabilities and stockholders' (deficit) equity	$ 131,260	$ 89,025	$ —		$ 114,552		$ 334,837

See accompanying notes to the unaudited pro forma condensed combined financial information

Unaudited Pro Forma Condensed Combined Statement of Operations and Comprehensive Loss
For the Year Ended December 31, 2020
(in thousands, except per share data)

	Xeris Pharma	Strongbridge	Pro Forma Reclasses		Pro Forma Adjs		Pro Forma Combined
	(audited)	(audited)					
Net sales	$ 20,155	$ 30,670	$ —		$ —		$ 50,825
Grant and other income	280	—	61	8(b)	—		341
Royalty revenue	—	61	(61)	8(b)	—		—
Costs and expenses:							
Cost of goods sold	9,328	2,212	(328)	8(c)	310	7(a)	11,522
Research and development	20,921	25,795	—		—		46,716
Selling, general and administrative	73,732	40,867	328	8(c)	2,595	7(b)	117,522
Amortization of intangible asset	—	5,022	—		(2,822)	7(c)	2,200
Total costs and expenses	103,981	73,896	—		83		177,960
Loss from operations	(83,546)	(43,165)	—		(83)		(126,794)
Other income (expense):							
Interest and other income	2,965	225	—		—		3,190
Interest expense	(10,660)	(1,336)	—		1,336	7(d)	(10,660)
Change in fair value of warrants	(9)	(814)	—		—		(823)
Total other income (expense)	(7,704)	(1,925)	—		1,336		(8,293)
Net loss before benefit from income taxes	(91,250)	(45,090)	—		1,253		(135,087)
Benefit from income taxes	110	15	—		—		125
Net loss	$ (91,140)	$ (45,075)	$ —		$ 1,253		$ (134,962)
Other comprehensive loss, net of tax:							
Unrealized gains (losses) on investments	(10)	(3)	—		—		(13)
Foreign currency translation adjustments	(27)	—	—		—		(27)
Comprehensive loss	$ (91,177)	$ (45,078)	$ —		$ 1,253		$ (135,002)
Net loss per common share - basic and diluted	$ (2.14)	$ (0.78)					$ (1.34)
Weighted average common shares outstanding - basic and diluted	42,643	57,976			58,083	4	100,726

See accompanying notes to the unaudited pro forma condensed combined financial information

Unaudited Pro Forma Condensed Combined Statement of Operations and Comprehensive Loss
For the Nine Months Ended September 30, 2021
(in thousands, except per share data)

	Xeris Pharma	Strongbridge	Pro Forma Reclasses		Pro Forma Adjs		Pro Forma Combined
	(unaudited)	(unaudited)					
Net sales	$ 27,921	$ 29,852	$ —		$ —		$ 57,773
Grant and other income	240	67	—		—		307
Costs and expenses:							
Cost of goods sold	8,429	1,377	(252)	8(c)	—		9,554
Research and development	15,078	15,750			—		30,828
Selling, general and administrative	71,539	40,498	252	8(c)	—		112,289
Amortization of intangible asset	—	5,251	—		(3,601)	7(c)	1,650
Total costs and expenses	95,046	62,876	—		(3,601)		154,321
Loss from operations	(66,885)	(32,957)	—		3,601		(96,241)
Other income (expense):							
Interest and other income	243	(198)	—		—		45
Interest expense	(5,384)	(2,428)	—		2,428	7(d)	(5,384)
Change in fair value of warrants	91	3,940	—		—		4,031
Total other income (expense)	(5,050)	1,314	—		2,428		(1,308)
Net loss before benefit from income taxes	(71,935)	(31,643)	—		6,029		(97,549)
Expense from income taxes	—	(2)	—		—		(2)
Net loss	$ (71,935)	$ (31,645)	$ —		$ 6,029		$ (97,551)
Other comprehensive loss, net of tax:							
Unrealized gains (losses) on investments	(34)	—	—		—		(34)
Foreign currency translation adjustments	2	—	—		—		2
Comprehensive loss	$ (71,967)	$ (31,645)	$ —		$ 6,029		$ (97,583)
Net loss per common share - basic and diluted	$ (1.11)	$ (0.47)					$ (0.79)
Weighted average common shares outstanding - basic and diluted	64,723	67,719			58,083	4	122,806

See accompanying notes to the unaudited pro forma condensed combined financial information

1. Description of Transaction

On May 24, 2021, Xeris Pharma issued an announcement pursuant to Rule 2.5 of the Irish Takeover Panel Act 1997 (as amended), Takeover Rules, 2013, disclosing that the boards of directors of Xeris Pharma and Strongbridge (with the exception of Jeffrey W. Sherman, M.D., a director in common to both companies, who abstained from the voting), had reached agreement on the terms of a recommended acquisition of Strongbridge by Xeris Pharma (the “Acquisition”). Xeris Pharma, Strongbridge, the Company and Wells MergerSub, Inc., a Delaware corporation (“MergerSub”), entered into a Transaction Agreement, dated as of May 24, 2021 (the “Transaction Agreement”).

On October 5, 2021 (the "Acquisition Closing Date"), pursuant to the Transaction Agreement, the Company completed its acquisition of Strongbridge. Upon completion of the Acquisition, (a) the Company acquired Strongbridge by means of a scheme of arrangement (the “Scheme”) under Irish law pursuant to which the Company acquired all of the outstanding ordinary shares of Strongbridge (“Strongbridge Shares”) in exchange for (i) 0.7840 of a share of the Company's common stock (“Company Shares”) and cash in lieu of fractions of Company Shares in exchange for each Strongbridge Share held by such Strongbridge Shareholders and (ii) one (1) non-tradeable contingent value right (“CVR”), worth up to a maximum of $1.00 per Strongbridge Share settleable in cash, additional Company Shares, or a combination of cash and additional Company Shares, at the Company's sole election and (b) MergerSub merged with and into Xeris Pharma, with Xeris Pharma, as the surviving corporation in the merger (the “Merger,” and the Merger together with the Acquisition, the “Transactions”).

Upon completion of the Merger, (a) each share of Xeris Pharma common stock was assumed by the Company and converted into the right to receive one Company Share and any cash in lieu of fractional entitlements due to a Xeris Pharma shareholder and (b) each Xeris Pharma option, stock appreciation right, restricted share award and other Xeris Pharma share based award that was outstanding was assumed by the Company and converted into an equivalent equity award of the Company, which award was subject to the same number of shares and the same terms and conditions as were applicable to the Xeris Pharma award in respect of which it was issued.

At the effective time of the Scheme, Strongbridge’s outstanding equity awards were treated as set forth in the Transaction Agreement, such that (i) each Strongbridge Share Award were vested and settled for Strongbridge Shares immediately prior to the effective time of the Scheme, (ii) each Strongbridge Option became fully vested and exercisable immediately prior to the effective time of the Scheme, (iii) each unexercised Strongbridge Option was assumed by the Company and converted into an option to purchase Company Shares (each, a “Strongbridge Rollover Option”), with the exercise price per Company Share and the number of Company Shares underlying the Strongbridge Rollover Option adjusted to reflect the conversion from Strongbridge Shares into Company Shares, provided that each Strongbridge Rollover Option will continue to have, and be subject to, the same terms and conditions that applied to the corresponding Strongbridge Rollover Option (except for terms rendered inoperative by reason of the Acquisition or for immaterial administrative or ministerial changes that are not adverse to any holder other than in any de minimis respect), provided that the terms of each Strongbridge Rollover Option with an exercise price of $4.50 or less (prior to the adjustment described above) were amended to provide that it shall remain exercisable for a period of time following the effective time of the Scheme equal to the lesser of (A) the maximum remaining term of such corresponding Strongbridge Option and (B) the fourth anniversary of the effective date of the Merger, in each case regardless of whether the holder of such Strongbridge Rollover Option experiences a termination of employment or service on or following the effective time of the Scheme and (iv) the Company issued to each holder of a Strongbridge Rollover Option one CVR with respect to each Strongbridge Share subject to the applicable Strongbridge Option, provided that in no event shall such holder be entitled to any payments with respect to such CVR unless the corresponding Strongbridge Option has been exercised on or prior to any such payment.

Additionally, on completion of the Acquisition, (a) each outstanding and unexercised Strongbridge warrant (except private placement warrants) was assumed by the Company such that, upon exercise, the applicable holders will have the right to have delivered to them the reference property (as such term is defined in the Strongbridge assumed warrants) and (b) each outstanding and unexercised Strongbridge private placement warrant was assumed by the Company such that the applicable holders will have the right to subscribe for the Company Shares, in accordance with certain terms of the Strongbridge private placement warrants.

Immediately following the Transactions, both Xeris Pharma and Strongbridge became wholly owned subsidiaries of the Company. The common stock of Xeris Pharma and the ordinary shares of Strongbridge were de-registered after completion of the Transactions. On October 6, 2021, the Company's common stock, par value $0.0001 per share, commenced trading on the Nasdaq Global Select Market (“Nasdaq”) under the ticker symbol “XERS”.

2. Basis of Pro Forma Presentation

The unaudited pro forma condensed combined balance sheet gives effect to the Acquisition as if it occurred on September 30, 2021. The pro forma adjustments required to reflect the acquired assets and assumed liabilities of Strongbridge are based on the estimated fair value of Strongbridge's assets and liabilities as of September 30, 2021. The unaudited pro forma condensed combined statements of operations and comprehensive loss for the fiscal year ended December 31, 2020 and the nine months ended September 30, 2021 give effect to the Acquisition as if it occurred on January 1, 2020.

The Acquisition Closing Date was October 5, 2021. The valuation of consideration transferred is based on, among other things, Xeris Pharma closing share price of $2.37 per share on October 5, 2021. The fair value of the Strongbridge Rollover Options and the assumed Strongbridge warrants are also calculated based on Xeris Pharma closing share price of $2.37 per share on October 5, 2021.

The unaudited pro forma condensed combined financial information was prepared using the acquisition method of accounting and was based on the historical financial information of Xeris Pharma and Strongbridge. The acquisition method of accounting in accordance with ASC 805 requires, among other things, that assets acquired and liabilities assumed in a business combination be recognized at their fair values as of the acquisition date using the fair value concepts defined in ASC 820, "Fair Value Measurement" (ASC 820). The unaudited pro forma condensed combined financial information have been prepared in accordance with Regulation S-X Article 11, Pro Forma Financial Information. Regulation S-X Article 11 requires that pro forma financial information include the following pro forma adjustments to the historical financial information of the registrant:

- Transaction Accounting Adjustments – Adjustments that reflect only the application of required accounting to the acquisition, disposition or other transaction.
- Autonomous Entity Adjustments – Adjustments that are necessary to reflect the operations and financial position of the registrant as an autonomous entity when the registrant was previously part of another entity.

The transaction accounting adjustments are based on available information and assumptions that Xeris Pharma's management believes are reasonable. However, such adjustments are estimates and actual experience may differ from expectations. There are no autonomous entity adjustments included in the unaudited pro forma condensed combined financial information. Additionally, Regulation S-X Article 11 permits registrants to reflect in the notes to the pro forma financial information forward-looking information that depicts the synergies and dis-synergies identified by management in determining to consummate the Acquisition for which pro forma effect is being given. Such adjustments have not been reflected in the notes to the unaudited pro forma condensed combined financial information because Xeris Pharma's management does not believe these adjustments would enhance an understanding of the pro forma effects of the Acquisition.

ASC 820 defines fair value, establishes the framework for measuring fair value for any asset acquired or liability assumed under U.S. GAAP, expands disclosures about fair value measurements, and specifies a hierarchy of valuation techniques based on the nature of the inputs used to develop the fair value measurements. Fair value is defined in ASC 820 as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." This is an exit price concept for the valuation of an asset or liability. Market participants are assumed to be buyers or sellers in the most advantageous market for the asset or liability. Fair value measurement for an asset assumes the highest and best use by these market participants, and as a result, assets may be required to be recorded which are not intended to be used or sold. Additionally, the fair value may not reflect management's intended use for those assets. Fair value measurements can be highly subjective, and it is possible the application of reasonable judgment could develop different assumptions resulting in a range of alternative estimates using the same facts and circumstances.

The initial allocation of the consideration in these pro forma financial information is based upon a preliminary consideration of approximately $169.1 million. This amount is based on approximately 58.1 million shares of common stock that the Company issued to holders of Strongbridge ordinary shares in connection with the Acquisition, based on the number of Strongbridge ordinary shares outstanding as of October 5, 2021, the number of Strongbridge RSUs vested upon change in control, and the exchange ratio of 0.7840 provided in the Transaction Agreement. The consideration has been calculated based on the share price of Xeris Pharma's common stock on October 5, 2021, equal to $2.37 per share and the estimated fair value of the CVR Consideration (see Note 4 below for a description of the basis on which the estimated fair value of the CVR Consideration is included in these unaudited pro forma condensed combined financial information). The consideration also includes the fair value of Strongbridge Rollover Options and the fair value of Strongbridge warrants to be assumed by the Company, as described above.

One-time transaction-related expenses incurred by Xeris Pharma and Strongbridge after September 30, 2021 but prior to, or concurrent with, the closing, are reflected in the pro forma statements of operations and comprehensive loss and reflected in the pro forma balance sheet as an increase in accrued liabilities and as a decrease to retained earnings. In addition, the accompanying unaudited pro forma condensed combined statements of operations and comprehensive loss do not include any expected cost savings, operating synergies, or revenue enhancements, which may be realized subsequent to the Acquisition.

3. Accounting Policies

Acquisition accounting rules require evaluation of certain assumptions, estimates, or determination of financial statement classifications which are completed during the measurement period as defined in current accounting standards. The accounting policies of Xeris Pharma may materially vary from those of Strongbridge. During preparation of the unaudited pro forma condensed combined financial information, management has performed a preliminary analysis and is not aware of any material differences, and accordingly, this unaudited pro forma condensed combined financial information assumes no material differences in accounting policies between the two companies other than the pro forma reclassifications detailed in Note 8. Following the Acquisition and during the measurement period, management will conduct a final review of Strongbridge's accounting policies in an effort to determine if differences in accounting policies require adjustment or reclassification of Strongbridge's results of operations or reclassification of assets or liabilities to conform to Xeris Pharma's accounting policies and classifications. As a result of this review, management may identify differences that, when conformed, could have a material impact on the unaudited pro forma condensed combined financial information.

4. Acquisition consideration

The acquisition-date fair value of the consideration transferred totaled $169.1 million, which consisted of the following:

Fair value of consideration transferred (in thousands)		
Xeris Biopharma Holdings, Inc. common shares (58,082,606 shares)	$	137,655
Unexercised Strongbridge options assumed by Xeris Pharma and converted into options to purchase Company Shares		6,404
Strongbridge warrants		2,467
Contingent consideration (Contingent value rights)		22,531
Total consideration	$	169,057

The Company's acquisition accounting is primarily pending final valuation and potential CVR fair value adjustments to the consideration. The fair value of the common stock issued was determined based on the closing market price of shares of the Company's common stock on the acquisition date.

Upon completion of the Acquisition, each outstanding and unexercised Strongbridge warrant (except private placement warrants) was assumed by the Company such that, upon exercise, the applicable holders will have the right to have delivered to them the reference property (as such term is defined in the Strongbridge assumed warrants). The fair value of the assumed warrants was determined using the Black-Scholes valuation model which considers the expected terms of the assumed warrants from the acquisition closing date as well as the risk-free interest rate and expected volatility of both Xeris Pharma and Strongbridge's common stock.

Each outstanding and unexercised Strongbridge private placement warrant was assumed by the Company such that the applicable holders will have the right to subscribe for Company Shares, in accordance with certain terms of the Strongbridge private placement warrants. The fair value of the private placement warrants was determined using the Black-Scholes valuation model which considers the expected terms of the private placement warrants from the acquisition closing date as well as the risk-free interest rate, current exercise price of $2.50 multiplied by (the average of Xeris Pharma closing prices for the 20-day period ending three trading days prior to acquisition closing date/the average of Strongbridge closing prices for the 20-day period ending three trading days prior to acquisition closing date) and a volatility of 50%.

The CVRs represent contingent additional consideration of up to $1.00 for each CVR, payable to CVR holders, to satisfy future performance milestones, settleable in cash, common stock, or a combination of cash and common stock, at the Company's sole election. The CVRs are conditioned upon the achievement of the following:

- Keveyis Milestone: $0.25 per CVR, upon the earlier of the first listing of any patent in the FDA's Orange Book for Keveyis by the end of 2023 or the first achievement of at least $40 million in net sales of Keveyis in 2023;
- 2023 Recorlev Milestone: $0.25 per CVR, upon the first achievement of at least $40 million in net sales of Recorlev in 2023; and
- 2024 Recorlev Milestone: $0.50 per CVR, upon the first achievement of at least $80 million in net sales of Recorlev in 2024.

The fair value of the CVRs was calculated by using a discounted cash flow method for the Keveyis patent milestone and an option pricing method for the Recorlev and Keveyis sales milestones. In the case of Keveyis milestones, the Company applied a scenario-based method and weighted them based on the possible achievement of each milestone. This fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement as defined in ASC 820. The key assumptions used include the discount rate and sales growth. The estimated value of the CVR consideration is preliminary only and is based upon available information and certain assumptions which Xeris management believes are reasonable under the circumstances. The ultimate payout under the CVRs may differ materially from the assumptions used in determining the fair value of the CVR consideration.

As of the Acquisition Closing Date, there were approximately 74.1 million CVRs. There will be additional issuance of up to 10.5 million CVRs to holders of Strongbridge rollover options and assumed warrants upon exercise.

5. Preliminary purchase price allocation

In accordance with ASC 805, Xeris Pharma was determined to be the accounting acquirer in the Acquisition. The Company has applied the acquisition method of accounting that requires, among other things, that identifiable assets acquired and liabilities assumed generally be recognized on the balance sheet at fair value as of the acquisition date. In determining the fair value, the Company utilized various forms of the income, cost and market approaches depending on the asset or liability being fair valued. The estimation of fair value required significant judgment related to future net cash flows (including revenue, operating expenses, and working capital), discount rates reflecting the risk inherent in each cash flow stream, competitive trends, market comparables and other factors. Inputs were generally determined by taking into account historical data (supplemented by current and anticipated market conditions), trends and growth rates.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date. The Company is in the process of finalizing the valuations of certain intangible assets; thus, the provisional measurements of intangible assets and goodwill may be subject to change.

(in thousands)		
Cash and cash equivalents	$	38,469
Trade accounts receivable		4,344
Inventory		1,862
Prepaid expenses and other current assets		4,683
Property and equipment		161
IPR&D		121,000
Other intangible assets		11,000
Other assets		860
Total identifiable assets acquired		182,379
Accounts payable		(279)
Other accrued liabilities		(13,521)
Accrued trade discounts and rebates		(4,844)
Supply agreement liability		(12,000)
Other liabilities		(413)
Total liabilities assumed		(31,057)
Net identifiable assets acquired		151,322
Goodwill		17,735
Net assets acquired	$	169,057

6. Unaudited Pro Forma Condensed Combined Balance Sheet Adjustments

The estimated pro forma adjustments as a result of recording assets acquired and liabilities assumed at their respective fair values in accordance with ASC 805 discussed below are preliminary. The final valuation of assets acquired and liabilities assumed may be materially different than the estimated value of assets acquired and liabilities assumed that are reflected in the pro forma adjustments.

Explanations of the adjustments to the pro forma condensed combined balance sheet are as follows (amounts in thousands, unless otherwise noted):

6(a) Cash and cash equivalents: Represents the Payment of Strongbridge 2020 term loan which is subject to repayment upon a change in control.

6(b) Inventory: Represents an estimated $0.3 million increase to Strongbridge's inventory to present inventory at fair value.

6(c) Intangible asset: Represents the elimination of Strongbridge historical intangible asset and recording of the acquired definite-lived intangible asset related to Keveyis as a result of the preliminary purchase price allocation, as follows:

Elimination of Strongbridge historical intangible asset	$	(17,337)
Acquired intangible asset as a result of the purchase price allocation		11,000
Net pro forma adjustment	$	(6,337)

The intangible asset is expected to be amortized over a useful life of five years.

6(d) IPR&D intangible asset: Represents the recording of the acquired IPR&D indefinite-lived intangible asset related to Recorlev as a result of the preliminary purchase price allocation.

6(e) Goodwill: Represents the elimination of Strongbridge historical goodwill and recording of the acquired goodwill as a result of the preliminary purchase price allocation, as follows:

Elimination of Strongbridge historical goodwill	$	(7,256)
Acquired goodwill as a result of the purchase price allocation		17,735
Net pro forma adjustment	$	10,479

Goodwill represents the excess of the preliminary consideration over the preliminary fair value of the assets acquired and liabilities assumed. Goodwill will be tested for impairment at least annually and whenever events or circumstances occur that may indicate a possible impairment. The majority of goodwill is not expected to be deductible for income tax purposes.

6(f) Other accrued liabilities: Represents the following pro forma adjustments:

Transaction costs to be incurred by Xeris Pharma subsequent to September 30, 2021	$	2,305
Transaction costs to be incurred by Strongbridge subsequent to September 30, 2021		290
Net pro forma adjustment	$	2,595

6(g) Current portion of long-term debt, net and Long-term debt, net: Represents the conversion of $10.0 million of outstanding principal to equity pursuant to an amendment executed in July 2021, the payment of the remaining outstanding principal amount under Strongbridge's existing 2020 term loan facility and final payment fee, and the elimination of the associated debt issuance costs. Per the debt agreement, amounts outstanding are due in full upon a change in control.

6(h) Warrant liability: Represents the elimination of the Strongbridge historical warrant liability and the estimated fair value of the assumed warrants based on the preliminary purchase price allocation.

Elimination of Strongbridge historical warrant liability	$	(1,001)
Estimated fair value of liability for assumed liability-based warrants		907
Net pro forma adjustment	$	(94)

6(i) Contingent value rights liability: Represents the fair value of the contingent value rights liability.

6(j) Supply agreement liability, noncurrent: Represents an estimated $0.4 million increase to Strongbridge's noncurrent supply agreement liability to present it at fair value.

6(k) Equity: Represents the elimination of Strongbridge historical equity balances and the allocation of consideration.

Elimination of Strongbridge historical ordinary shares	$	(678)
Allocation of preliminary consideration to common stock at the Company's par value of $0.0001		6
Additional paid in capital:		
Elimination of Strongbridge historical additional paid in capital	$	(377,218)
Allocation of consideration to additional paid in capital		141,324
To reflect estimated increase in additional paid in capital for replaced Strongbridge equity awards relating to the pre-acquisition vesting of the equity award holders' requisite service periods		6,404
To reflect estimated increase in additional paid in capital for equity-based warrants assumed		1,560
Total adjustments to additional paid in capital		(227,930)
Accumulated deficit:		
Elimination of Strongbridge historical accumulated deficit	$	337,203
To reflect an increase in the accumulated deficit of Xeris Pharma for transaction costs to by Xeris Pharma subsequent to September 30, 2021		(2,305)
To reflect an increase in the accumulated deficit of Strongbridge for transaction costs to by Strongbridge subsequent to September 30, 2021		(290)
Total adjustments to accumulated deficit		334,608
Total pro forma adjustments to equity	$	106,006

7. Unaudited Pro Forma Condensed Combined Statements of Operations and Comprehensive Loss Adjustments

Explanations of the adjustments to the pro forma condensed combined statements of operations and comprehensive loss are as follows (amounts in thousands, unless otherwise noted):

7(a) Cost of goods sold: Represents amortization of estimated inventory step up to fair value.

7(b) Selling, general and administrative: Represents adjustment to record one-time transaction-related expenses (e.g. bankers fees, legal fees, consultant fees, etc.) incurred by Xeris Pharma and Strongbridge after September 30, 2021 but prior to, or concurrent with, the closing.

7(c) Amortization of intangible asset: Represents amortization based on the new valuation of intangible assets ($11.0 million amortized over five years).

		Nine months ended September 30, 2021		Year ended December 31, 2020
Removing the historical amortization of intangible asset	$	(5,251)	$	(5,022)
Record the amortization of the acquired intangible asset as a result of the purchase price allocation		1,650		2,200
Net pro forma adjustment	$	(3,601)	$	(2,822)

7(d) Interest expense: Represents elimination of Strongbridge historical interest expense on the 2020 term loan which was fully repaid or converted to equity prior to the acquisition.

There is no tax impact of the pro forma adjustments reflected as both companies are, and have been for some time, in net operating loss positions and have full valuation allowances against their net deferred tax assets on both a historical and a pro forma basis.

8. Pro Forma Reclassification Adjustments

Explanations of the pro forma reclassification adjustments are as follows:

8(a) Other accrued liabilities: Represents the reclassification of Strongbridge accrued sales allowances from other accrued liabilities to accrued trade discounts and rebates to conform to Xeris Pharma's financial statement presentation of similar balances.

8(b) Grant and other income: Represents the reclassification of Strongbridge royalty income to grant and other income to conform with Xeris Pharma's presentation.

8(c) Cost of goods sold: Represents the reclassification of Strongbridge annual FDA fees from cost of goods sold to selling, general and administrative expense to conform with Xeris Pharma's presentation.

8(d) Other accrued liabilities: Represents reclassification of Strongbridge supply agreement current liability from other accrued liabilities to disclose as a separate line item.

9. Net Loss Per Share

Pro forma loss per share for the year ended December 31, 2020 and the nine months ended September 30, 2021 has been calculated based on the weighted average number of common shares outstanding on a pro forma basis, as described below. The pro forma weighted average shares outstanding have been calculated as if the shares to be issued in the Acquisition had been issued and outstanding as of January 1, 2020. Basic and diluted net loss per common share are determined by dividing the net loss applicable to common shareholders by the weighted average common shares outstanding during the period. The shares issuable upon conversion of convertible debt or warrants or upon exercise or vesting of equity awards have been excluded from the calculation because their effects would be anti-dilutive. Therefore, the weighted average common shares outstanding used to calculate both basic and diluted net loss per common share are the same. For additional information on the calculation of acquisition-related shares, see Note 4.

The following potentially dilutive securities were determined after giving effect to the Acquisition and are excluded from the computation of diluted weighted average common shares outstanding due to their anti-dilutive effect:

(in thousands)	As of September 30, 2021	As of December 31, 2020
Shares to be issued upon conversion of convertible debt – Xeris Pharma	15,417	15,417
Restricted stock units – Xeris Phama	2,063	767
Vested and unvested stock options:		
Xeris Pharma	5,013	4,954
Strongbridge	6,400	6,400
Warrants:		
Xeris Pharma	94	94
Strongbridge	6,279	6,279
Total	35,266	33,911