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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2022;

or

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

For the transition period from _____ to _____

Commission file number 001-38161



Calyxt, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

27-1967997
(I.R.S. Employer
Identification No.)

2800 Mount Ridge Road
Roseville, MN
(Address of principal executive offices)

55113-1127
(Zip Code)

(651) 683-2807
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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 (0.0001 par value)	CLXT	The NASDAQ Stock Market LLC (Nasdaq Capital Market)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

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

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

As of November 2, 2022, there were 48,841,286 shares of common stock, \$0.0001 par value per share, outstanding.

Table of Contents

<u>PART I. FINANCIAL INFORMATION</u>	3
<u>Item 1. Consolidated Financial Statements</u>	3
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	20
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	33
<u>Item 4. Controls and Procedures</u>	33
<u>PART II. OTHER INFORMATION</u>	34
<u>Item 1. Legal Proceedings</u>	34
<u>Item 1A. Risk Factors</u>	34
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	36
<u>Item 5. Other Information</u>	36
<u>Item 6. Exhibits</u>	37
<u>SIGNATURE</u>	38

[Table of Contents](#)

Terms

When the terms the “Company” or “its” are used in this report, unless the context otherwise requires, those terms are being used to refer to Calyxt, Inc. When the term “Collectis,” is used, it is being used to refer to Collectis S.A., the Company’s largest stockholder and the former majority owner of its common stock. Collectis is a clinical-stage biotechnology company employing its core proprietary technologies to develop best-in-class products in the field of immuno-oncology.

The Company owns the names PlantSpring, BioFactory, Plant Cell Matrix, and the abbreviation PCM. The Company also owns the trademarks Calyxt® and Calyno® and owns or licenses other trademarks, trade names, and service marks appearing in this Quarterly Report on Form 10-Q. The names and trademarks Collectis® and TALEN®, along with any other trademarks, trade names, and service marks of Collectis appearing in the Company’s Annual Report on Form 10-K are the property of Collectis. This Quarterly Report on Form 10-Q may contain additional trade names, trademarks, and service marks belonging to other companies. The Company does not intend its use or display of other parties’ trademarks, trade names, or service marks to imply, and such use or display should not be construed to imply a relationship with, or endorsement or sponsorship of these other parties.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of the federal securities laws, including Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). The Company may also make forward-looking statements in other reports filed with the Securities and Exchange Commission (SEC), in materials delivered to stockholders, and in press releases. In addition, the Company’s representatives may from time to time make oral forward-looking statements.

The Company has made these forward-looking statements in reliance on the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. In some cases, you can identify these statements by forward-looking words such as “anticipates,” “believes,” “continue,” “estimates,” “expects,” “intends,” “may,” “might,” “plans,” “predicts,” “projects,” “should,” “targets,” “will,” or the negative of these terms and other similar terminology. Forward-looking statements in this report include statements about the Company’s future financial performance, including its liquidity and capital resources, cash runway and its ability to continue as a going concern; its product pipeline and development; its business model and strategies for the development, commercialization and sales of commercial products; commercial demand for its synthetic biology solutions; the development and deployment of its PlantSpring technology platform; its ability to deploy and leverage its artificial intelligence and machine learning (AIML) capabilities; the ability to scale production capability for its BioFactory production system; potential development agreements, partnerships, customer relationships, and licensing arrangements and their contribution to its financial results, cash usage, and growth strategies; the potential impact of the COVID-19 pandemic on its business and operating results; and anticipated trends in its business. These and other forward-looking statements are predictions and projections about future events and trends based on the Company’s current expectations, objectives, and intentions and are premised on current assumptions. The Company’s actual results, level of activity, performance, or achievements could be materially different than those expressed, implied, or anticipated by forward-looking statements due to a variety of factors, including, but not limited to: any adverse impact of the Company’s cost reduction measures and its pursuit and evaluation of a broad range of strategic alternatives on its relationship with employees and third-parties, including ongoing negotiations with potential customers; whether or not the Company is able to identify and consummate an acceptable strategic alternative pursuant to its ongoing exploration of such transactions; the impact of increased competition, including competition from a broader array of synthetic biology companies; competition for customers, partners, and licensees and the successful execution of development and licensing agreements; disruptions at its key facilities, including disruptions impacting its BioFactory production system; flaws in AIML algorithms, insufficiency of data inputs required by such algorithms, and human error in interacting with AIML; changes in customer preferences and market acceptance of its products; changes in market consensus as to what attributes are required for a product to be considered “sustainable”; the impact of adverse events during development, including unsuccessful pilot production of plant-based chemistries or field trials; the impact of improper handling of its product candidates during development; failures by third-party contractors; inaccurate demand forecasting or milestone and royalty payment projections; the effectiveness of commercialization efforts by commercial partners or licensees; disruptions to supply chains, including raw material inputs for its BioFactory; the impact of changes or increases in oversight and regulation; disputes or challenges regarding intellectual property; proliferation and continuous evolution of new technologies; management changes; changes in macroeconomic and market conditions, including inflation, supply chain constraints, and rising interest rates; dislocations in the capital markets and challenges in accessing liquidity and the impact of such liquidity challenges on the Company’s ability to execute on its business plan; the severity and duration of the evolving COVID-19 pandemic and the resulting impact on macro-economic conditions; and other important factors discussed in Part I, Item 1A, “Risk Factors” in the Company’s filings with the SEC, included in Part I, Item 1A of its Annual Report on Form 10-K for the year ended December 31, 2021, which was filed with the SEC on March 3, 2022 (its Annual Report) and its subsequent reports on Forms 10-Q and 8-K filed with the SEC.

Any forward-looking statements made by the Company in this Quarterly Report on Form 10-Q are based only on currently available information and speak only as of the date of this report. Except as otherwise required by securities and other applicable laws, the Company does not assume any obligation to publicly provide revisions or updates to any forward-looking statements, whether as a result of new information, future developments or otherwise, should circumstances change.

[Table of Contents](#)

Market Data

Unless otherwise indicated, information contained in this Quarterly Report concerning the Company's industry and the markets in which it operates is based on information from various sources, including independent industry publications. In presenting this information, the Company has also made assumptions based on such data and other similar sources, and on the Company's knowledge of, and its experience to date in, the potential markets for its product. The industry in which the Company operates is subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the section entitled "Risk Factors" in its Annual Report and other subsequent reports on Forms 10-Q and 8-K filed with the SEC. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by the Company.

Website Disclosure

The Company uses its website (www.calyxt.com), its corporate Twitter account (@Calyxt_Inc) and its corporate LinkedIn account (<https://www.linkedin.com/company/calyxt-inc>) as routine channels of distribution of company information, including press releases, analyst presentations, and supplemental financial information, as a means of disclosing material non-public information and for complying with the Company's disclosure obligations under Regulation FD. Accordingly, investors should monitor its website and its corporate Twitter and LinkedIn accounts in addition to following press releases, filings with the SEC, and public conference calls and webcasts.

Additionally, the Company provides notifications of announcements as part of its website. Investors and others can receive notifications of new press releases posted on the Company's website by signing up for email alerts.

None of the information provided on the Company's website, in its press releases or public conference calls and webcasts, or through social media is incorporated into, or deemed to be a part of, this Quarterly Report or in any other report or document the Company files with the SEC, and any references to its website or its corporate Twitter and LinkedIn accounts are intended to be inactive textual references only.

[Table of Contents](#)

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CALYXT, INC. CONSOLIDATED
BALANCE SHEETS
(In Thousands, Except Par Value and Share Amounts)

	September 30, 2022 (unaudited)	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,031	\$ 13,823
Restricted cash	174	499
Prepaid expenses and other current assets	739	859
Total current assets	7,944	15,181
Non-current restricted cash	—	99
Land, buildings, and equipment	4,859	21,731
Operating lease right-of-use assets	13,736	—
Other non-current assets	163	183
Total assets	<u>\$ 26,702</u>	<u>\$ 37,194</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 435	\$ 1,260
Accrued expenses	380	339
Accrued compensation	2,356	2,522
Due to related parties	138	172
Current portion of financing lease obligations	120	370
Common stock warrants	402	—
Other current liabilities	397	191
Total current liabilities	4,228	4,854
Financing lease obligations	—	17,506
Operating lease obligations	13,550	—
Other non-current liabilities	80	702
Total liabilities	<u>17,858</u>	<u>23,062</u>
Stockholders' equity:		
Common stock, \$0.0001 par value; 275,000,000 shares authorized; 46,909,420 shares issued and 46,809,268 shares outstanding as of September 30, 2022, and 38,874,146 shares issued and 38,773,994 shares outstanding as of December 31, 2021	5	4
Additional paid-in capital	219,196	211,263
Common stock in treasury, at cost; 100,152 shares as of September 30, 2022, and December 31, 2021	(1,043)	(1,043)
Accumulated deficit	(209,314)	(196,092)
Total stockholders' equity	<u>8,844</u>	<u>14,132</u>
Total liabilities and stockholders' equity	<u>\$ 26,702</u>	<u>\$ 37,194</u>

See accompanying notes to these consolidated financial statements.

CALYXT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited and in Thousands Except Shares and Per Share Amounts)

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenue	\$ 42	\$ 7,762	\$ 115	\$ 24,044
Cost of goods sold	—	8,281	—	26,553
Gross profit	42	(519)	115	(2,509)
Operating expenses:				
Research and development	3,016	2,579	9,207	8,473
Selling, general, and administrative	3,229	3,859	9,965	11,640
Total operating expenses	6,245	6,438	19,172	20,113
Loss from operations	(6,203)	(6,957)	(19,057)	(22,622)
Gain upon extinguishment of Payroll Protection Program loan	—	—	—	1,528
Interest, net	(47)	(356)	(80)	(1,059)
Non-operating income (expenses)	300	6	5,083	11
Loss before income taxes	(5,950)	(7,307)	(14,054)	(22,142)
Income taxes	—	—	—	—
Net loss	\$ (5,950)	\$ (7,307)	\$ (14,054)	\$ (22,142)
Basic and diluted net loss per share	\$ (0.13)	\$ (0.20)	\$ (0.31)	\$ (0.60)
Weighted average shares outstanding – basic and diluted	46,784,445	37,279,703	45,173,455	37,205,655
Anti-dilutive stock options, restricted stock units, performance stock units, and common stock warrants	15,997,260	5,966,488	15,997,260	5,966,488

See accompanying notes to these consolidated financial statements.

CALYXT, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited and in Thousands Except Shares Outstanding)

Three Months Ended September 30, 2022	Shares Outstanding	Common Stock	Additional Paid-In Capital	Shares in Treasury	Accumulated Deficit	Total Stockholders' Equity
Balance at June 30, 2022	46,715,542	\$ 5	\$218,161	\$(1,043)	\$ (203,364)	\$ 13,759
Net loss	—	—	—	—	(5,950)	(5,950)
Stock-based compensation	—	—	1,035	—	—	1,035
Issuance of common stock and payment of minimum employee taxes withheld upon net share settlement of restricted stock units	93,726	—	—	—	—	—
Balance at September 30, 2022	46,809,268	\$ 5	\$219,196	\$(1,043)	\$ (209,314)	\$ 8,844
Three Months Ended September 30, 2021	Shares Outstanding	Common Stock	Additional Paid-In Capital	Shares in Treasury	Accumulated Deficit	Total Stockholders' Equity
Balance at June 30, 2021	37,205,473	\$ 4	\$204,663	\$(1,043)	\$ (181,728)	\$ 21,896
Net loss	—	—	—	—	(7,307)	(7,307)
Stock-based compensation	—	—	1,236	—	—	1,236
Issuance of common stock and payment of minimum employee taxes withheld upon net share settlement of restricted stock units	96,251	—	—	—	—	—
Balance at September 30, 2021	37,301,724	\$ 4	\$205,899	\$(1,043)	\$ (189,035)	\$ 15,825
Nine Months Ended September 30, 2022	Shares Outstanding	Common Stock	Additional Paid-In Capital	Shares in Treasury	Accumulated Deficit	Total Stockholders' Equity
Balance at December 31, 2021	38,773,994	\$ 4	\$211,263	\$(1,043)	\$ (196,092)	\$ 14,132
Net loss	—	—	—	—	(14,054)	(14,054)
Stock-based compensation	—	—	2,890	—	—	2,890
Issuance of common stock and payment of minimum employee taxes withheld upon net share settlement of restricted stock units	275,274	—	—	—	—	—
Issuance of common stock from ATM facility, net of offering expenses	—	—	(7)	—	—	(7)
Issuance of common stock and pre-funded warrants in registered offering, net of \$0.5 million of offering costs	3,880,000	1	5,050	—	—	5,051
Issuance of common stock upon exercise of pre-funded warrants	3,880,000	—	—	—	—	—
Cumulative effect of adoption of lease accounting standard	—	—	—	—	832	832
Balance at September 30, 2022	46,809,268	\$ 5	\$219,196	\$(1,043)	\$ (209,314)	\$ 8,844
Nine Months Ended September 30, 2021	Shares Outstanding	Common Stock	Additional Paid-In Capital	Shares in Treasury	Accumulated Deficit	Total Stockholders' Equity
Balance at December 31, 2020	37,065,044	\$ 4	\$204,807	\$(1,043)	\$ (166,893)	\$ 36,875
Net loss	—	—	—	—	(22,142)	(22,142)
Stock-based compensation	—	—	865	—	—	865
Issuance of common stock and payment of minimum employee taxes withheld upon net share settlement of restricted stock units	236,680	—	227	—	—	227
Balance at September 30, 2021	37,301,724	\$ 4	\$205,899	\$(1,043)	\$ (189,035)	\$ 15,825

See accompanying notes to these consolidated financial statements.

[Table of Contents](#)

CALYXT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited and in Thousands)

	Nine Months Ended September 30,	
	2022	2021
Operating activities		
Net loss	\$(14,054)	\$(22,142)
Adjustments to reconcile net loss to net cash used by operating activities:		
Gain upon extinguishment of Payroll Protection Program loan	—	(1,528)
Depreciation and amortization	1,158	1,776
Stock-based compensation	2,890	865
Unrealized (gain) loss on mark-to-market of common stock warrants	(5,009)	—
Changes in operating assets and liabilities:		
Accounts receivable	—	4,681
Due to/from related parties	(34)	(617)
Inventory	—	(291)
Prepaid expenses and other current assets	297	2,873
Accounts payable	(188)	108
Accrued expenses	41	(1,742)
Accrued compensation	(166)	334
Other	(536)	1,029
Net cash used by operating activities	<u>(15,601)</u>	<u>(14,654)</u>
Investing activities		
Proceeds from sales of short-term investments	—	11,698
Purchases of land, buildings, and equipment	(1,509)	(376)
Net cash (used by) provided by investing activities	<u>(1,509)</u>	<u>11,322</u>
Financing activities		
Proceeds from the issuance of common stock, and pre-funded warrants	11,209	—
Costs incurred related to the issuance of common stock, pre-funded warrants, and common warrants	(962)	—
Repayments of financing lease obligations	(353)	(271)
Proceeds from the exercise of stock options	—	227
Net cash provided by (used by) financing activities	<u>9,894</u>	<u>(44)</u>
Net (decrease) in cash, cash equivalents, and restricted cash	(7,216)	(3,376)
Cash, cash equivalents, and restricted cash – beginning of period	14,421	18,289
Cash, cash equivalents, and restricted cash – end of period	<u>\$ 7,205</u>	<u>\$ 14,913</u>

See accompanying notes to these consolidated financial statements.

CALYXT, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited consolidated financial statements of Calyxt, Inc. (Calyxt or the Company) have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP or GAAP) for interim financial information and with the rules and regulations of the Securities and Exchange Commission (SEC) applicable to interim financial statements. In the Company's opinion, the accompanying consolidated financial statements reflect all adjustments necessary for a fair presentation of its statements of financial position, results of operations, and cash flows for the periods presented but they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. Except as otherwise disclosed herein, these adjustments consist of normal recurring items. Operating results for interim periods are not necessarily indicative of results that may be expected for the fiscal year as a whole or any other interim period.

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and the related disclosures at the date of the consolidated financial statements and during the reporting period. Actual results could materially differ from these estimates.

Certain prior year amounts have been reclassified to conform to the current year presentation.

For further information, refer to the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on March 3, 2022. The accompanying Balance Sheet as of December 31, 2021, was derived from the audited consolidated financial statements. This Quarterly Report on Form 10-Q should be read in conjunction with the Company's consolidated financial statements and notes included in the Annual Report on Form 10-K for the year ended December 31, 2021.

Net Loss Per Share

Due to the Company's net loss position for the three and nine months ended September 30, 2022, and September 30, 2021, all of its outstanding stock options, restricted stock units (RSUs), performance stock units (PSUs), and warrants to purchase common stock (Common Warrants) are considered anti-dilutive and excluded from the calculation of net loss per share. Accordingly, the treasury method was not used in determining the number of anti-dilutive stock options, RSUs, PSUs, or Common Warrants.

Warrants

The Company issued pre-funded warrants to purchase common stock (Pre-Funded Warrants) in a follow-on offering on February 23, 2022 (the Follow-On Offering). The Pre-Funded Warrants were exercised in full on May 4, 2022, and subsequently settled with the counterparty.

The Company also issued Common Warrants in the Follow-On Offering. The Common Warrants expire on August 23, 2027 and are exercisable for one share of the Company's common stock for \$1.41 per share. The Common Warrants have been classified as a liability because they include a put option election available to their holder that is contingently exercisable if the Company enters into a fundamental transaction (Fundamental Transaction), generally described as a "change of control" (the Change of Control Put). If the Change of Control Put is exercised by the holder of a Common Warrant, they may elect to receive either the consideration of the Fundamental Transaction or put the Common Warrant back to the Company in exchange for cash, based on terms and timing specified in the Common Warrant agreement. If the Change of Control Put option is exercised, the Company is required to pay cash to the holder in an amount as determined by the Black Scholes pricing model, with assumptions determined in accordance with the terms of the Common Warrants.

The Common Warrants are reported at fair value with changes in fair value reported in earnings. The Company reports the changes in fair value of the Common Warrants in non-operating income (expenses) in its consolidated statements of operations.

[Table of Contents](#)

Impairment of Long-Lived Assets

As of September 30, 2022, the Company had \$18.6 million of land, buildings, and equipment and operating lease right-of-use assets and a net book value of \$8.8 million. As of September 30, 2022, the Company's market capitalization was \$8.0 million. The Company has a single asset group and reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of that asset group may not be recoverable. One such impairment indicator is if the Company's market capitalization is lower than its net book value for an extended period of time.

If the impairment tests indicate that the carrying value of the asset group is greater than the expected undiscounted cash flows to be generated by the asset group, further analysis is performed to determine the fair value of the asset group. To the extent the fair value of the asset group is less than its carrying value, an impairment loss is recognized equal to the amount the carrying value exceeds the fair value of the asset group. Fair value is measured using a discounted cash flow model or independent appraisals, as appropriate.

As of the date of this filing, management has determined there was no impairment of its long-lived assets based on its financial projections and its stated pursuit of strategic alternatives, which could include various outcomes.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) and in July 2018, ASU No. 2018-10, Codification Improvements to Topic 842, Leases, and ASU 2018-11, Leases (Topic 842) – Targeted Improvements (collectively, the Standard). The Standard requires lessees to record assets and liabilities on the balance sheet for all leases with terms longer than 12 months. The Standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the income statement.

The Company adopted the Standard as of January 1, 2022, using the transition method which does not require revisions to comparative periods. The Company elected to implement the transition package of practical expedients permitted within the Standard, which among other things, allows it to carryforward the historical lease classification. In addition, the Company elected the hindsight practical expedient to determine the lease term for existing leases and it also made an accounting policy election to not record leases with an initial term of 12 months or less on its consolidated balance sheet.

The Company's adoption of the Standard required it to remove the previously reported amounts for land, buildings, and equipment associated with its headquarters and laboratory facility lease as well as the associated liability. The Company assessed the elements of its lease agreement and upon adoption, recorded an operating lease associated with the sale leaseback of land component of the lease, and a second operating lease associated with the building component of the lease. The Company recorded operating lease assets and liabilities of \$14.1 million within its consolidated balance sheet as of January 1, 2022. The Standard had no impact on the Company's consolidated statements of operations or cash flows. The \$0.8 million cumulative effect of the adoption of the Standard was recorded to stockholders' equity. See Note 8 for further information regarding the Company's leases.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments – Credit Losses (Topic 326)" (ASU 2016-13). ASU 2016-13 creates accounting requirements on how to account for credit losses on most financial assets and certain other instruments. This will require the estimation of lifetime expected credit losses and corresponding recognition of allowance for losses on trade and other receivables, loans, and other instruments held at amortized cost. The ASU requires certain recurring disclosures and is effective for annual periods, and interim periods within those annual periods, beginning on or after December 15, 2023. The Company is in the process of analyzing the impact of this standard on its results of operations.

2. GOING CONCERN

The Company has incurred losses since its inception. The Company's net loss was \$14.1 million for the nine months ended September 30, 2022, and it used \$15.6 million of cash for operating activities for the nine months ended September 30, 2022. The Company's primary sources of liquidity are its cash and cash equivalents, with additional liquidity accessible, subject to market conditions and other factors, including limitations that may apply to the Company under applicable SEC and Nasdaq Capital Market (Nasdaq) regulations, from the capital markets, including under the Open Market Sale AgreementSM with Jefferies LLC (as amended, the ATM Facility).

As of September 30, 2022, the Company had \$7.2 million of cash, cash equivalents, and restricted cash. The Company's restricted cash is associated with its equipment financing leases and was \$0.2 million as of September 30, 2022, with \$0.1 million scheduled to be returned in December 2022. Current liabilities were \$4.2 million as of September 30, 2022.

On October 3, 2022, the Company entered into an amendment to the Open Market Sale Agreement with Jefferies for the ATM Facility that enables it, subject to the applicable baby shelf rules described below, to offer and sell up to 15,661,000 shares of its common stock. At its discretion, the Company determines the timing and number of shares to be issued under the ATM Facility. During the nine months ended September 30, 2022, and in the subsequent period through October 3, 2022, the Company did not issue any shares under the ATM Facility. From October 3, 2022, through the date of this report, the Company has issued approximately 2.0 million shares of common stock under the ATM Facility for proceeds of \$0.1 million net of commissions and payments for other share issuance costs.

On February 23, 2022, the Company issued 3,880,000 shares of its common stock, Pre-Funded Warrants to purchase up to 3,880,000 shares of its common stock, and Common Warrants to purchase up to 7,760,000 shares of its common stock in the Follow-On Offering. In the aggregate, the Company received net proceeds of \$10.0 million, after deducting approximately \$0.9 million of underwriting discounts and estimated other offering expenses.

[Table of Contents](#)

The Company has incurred losses since its inception and anticipates that it will continue to generate losses for the next several years. Over the longer term and until the Company can generate cash flows sufficient to support its operating capital requirements, it expects to finance a portion of future cash needs through (i) cash on hand, (ii) commercialization activities, which may result in various types of revenue streams from (a) future product development agreements and technology licenses, including upfront and milestone payments, annual license fees, and royalties; and (b) product sales from its proprietary BioFactory production system; (iii) government or other third-party funding, (iv) public or private equity or debt financings, (v) the execution of an alternative strategic transaction pursuant to the board of directors' ongoing evaluation process, or (v) a combination of the foregoing. However, capital generated by commercialization activities, if any, is expected to be received over a period of time and near-term additional capital may not be available on reasonable terms, if at all.

Although the Company has access to the ATM Facility, based on the Company's public float, as of the date of the filing of its Annual Report on Form 10-K for the fiscal year ended December 31, 2021, the Company is only permitted to utilize a "shelf" registration statement for primary offerings, including the registration statement under which the Company's ATM Facility is operated, subject to Instruction I.B.6 to Form S-3, which is referred to as the "baby shelf" rules. For so long as the Company's public float is less than \$75,000,000, it may not sell more than the equivalent of one-third of its public float during any twelve consecutive months pursuant to the baby shelf rules. While alternative public and private transaction structures may be available, these may require additional time and cost, may result in substantial dilution to existing stockholders, particularly in light of the Company's current stock price, may impose operational restrictions on the Company, and may not be available on attractive terms or at all. Accordingly, the Company continuously assesses market conditions and available financing alternatives. In addition, on September 22, 2022, the Company announced that the board of directors is evaluating a full range of strategic alternatives to maximize shareholder value, including financing alternatives, merger, reverse merger, other business combinations, sale of assets, licensing, or other transactions.

[Table of Contents](#)

The Company's ability to continue as a going concern will depend on its ability to obtain additional public or private equity or debt financing, obtain government or private grants and other similar types of funding, or to consummate an alternative strategic transaction, attain further operating efficiencies, reduce or contain expenditures, and, ultimately, to generate revenue.

The Company believes that its cash, cash equivalents, and restricted cash as of September 30, 2022, considering the \$0.1 million of net proceeds realized from the ATM Facility as well as potential additional proceeds from the ATM Facility (up to the maximum amount permitted under the baby shelf rules), the legal settlement discussed in Note 10 to the consolidated financial statements, and taking into account additional efforts in reassessing its discretionary spending, including the implementation of increasingly stringent cost reduction and other cash focused measures to manage liquidity, is sufficient to fund its operations into the second quarter of 2023. The Company's management has concluded there is substantial doubt regarding its ability to continue as a going concern because it will need to raise additional capital to support its business plan for a period of 12 months or more from the date of this filing.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the ordinary course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of the uncertainties described above.

Management has implemented various cost reduction and other cash-focused measures to manage liquidity. If the Company is unable to raise additional capital in a sufficient amount or on acceptable terms or to consummate an alternative strategic transaction, the Company may have to implement increasingly stringent cost saving measures and significantly delay, scale back, or cease operations, in part or in full. If the Company raises additional funds through the issuance of additional debt or equity securities, including as part of a strategic alternative, it could result in substantial dilution to its existing stockholders and increased fixed payment obligations, and these securities may have rights senior to those of the Company's shares of common stock. Any of these events could significantly harm the Company's business, financial condition, and prospects.

3. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE AND CONCENTRATIONS OF CREDIT RISK

Financial Instruments Measured at Fair Value and Financial Statement Presentation

Financial instruments including cash and cash equivalents, restricted cash, accounts payable, and all other current liabilities have carrying values that approximate fair value. The Company measures common stock warrants on a quarterly basis. The accounting guidance establishes a three-tier hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value as of the measurement date as follows:

Level 1: Fair values are based on unadjusted quoted prices in active trading markets for identical assets and liabilities.

Level 2: Fair values are based on observable quoted prices other than those in Level 1, such as quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.

Level 3: Fair values are based on at least one significant unobservable input for the asset or liability.

Fair Value Measurements and Financial Statement Presentation

The fair values of the Company's financial instruments measured at fair value and their respective levels in the fair value hierarchy as of September 30, 2022, were as follows:

In Thousands	September 30, 2022				September 30, 2022			
	Fair Values of Assets				Fair Values of Liabilities			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Other items reported at fair value:								
Common stock warrants	\$ —	\$ —	\$ —	\$—	\$ —	\$ —	\$ 402	\$402
Total	\$ —	\$ —	\$ —	\$—	\$ —	\$ —	\$ 402	\$402

The Company estimates the fair value of each Common Warrant as of the date of issuance and at the end of every fiscal period using a Black-Scholes option pricing model, which requires it to make predictive assumptions regarding future stock price volatility and dividend yield. The Company estimates the risk-free interest rate based on the United States Treasury zero-coupon yield curve for the remaining life of the Common Warrant. The Company estimates its future stock price volatility using its historical volatility over the remaining life of the Common Warrant. The Company does not pay dividends and does not expect to pay dividends in the foreseeable future.

[Table of Contents](#)

The estimated fair values of the Common Warrants, and the assumptions used for the Black-Scholes option pricing model were as follows:

	As of September 30, 2022
Estimated fair value of Common Warrants	\$ 0.05
Assumptions:	
Risk-free interest rate	4.1%
Expected volatility	85.0%
Expected term to liquidation (in years)	4.9

As of September 30, 2022, the Company had no other financial instruments measured at fair value.

The non-current portion of the Company's financing lease obligations are also considered a financial instrument, which the Company measures at fair value for disclosure purposes. It is a Level 2 liability and as of December 31, 2021, it had a fair value of \$14.5 million. There is no non-current portion of the financing lease obligation at September 30, 2022.

Foreign Exchange Risk

Foreign currency fluctuations affect the Company's foreign currency cash flows related primarily to payments to Collectis. The Company's principal foreign currency exposure is to the euro. The Company does not hedge these exposures, and it does not believe that the current level of foreign currency risk is significant to its operations.

Concentrations of Credit Risk

The Company invests its cash, cash equivalents, and restricted cash in highly liquid securities and investment funds. The Company diversifies the risk associated with investing in securities by allocating its investments to a diverse portfolio of short-dated, high investment-grade securities, which it classifies as short-term investments that are recorded at fair value in its consolidated financial statements. The Company maintains the credit risk in this portfolio in accordance with its internal policies and if necessary, makes changes to investments to minimize credit risk. The Company has not experienced any counterparty credit losses. As of September 30, 2022, the Company did not hold any short-term investments.

4. RELATED-PARTY TRANSACTIONS

The Company is party to several agreements that govern its relationship with Collectis, some of which require the Company to make payments to Collectis. Pursuant to the Company's management services agreement with Collectis, it incurred no management fee expenses for the three and nine months ended September 30, 2022, and it incurred nominal management fee expenses for the three and nine months ended September 30, 2021.

Collectis has also guaranteed the lease agreement for the Company's headquarters. Collectis' guarantee of the Company's obligations under the lease will terminate at the end of the second consecutive calendar year in which the Company's tangible net worth exceeds \$300 million. The Company agreed to indemnify Collectis for any obligations incurred by Collectis under its guaranty of the obligations under the lease, effective upon Collectis' ownership falling to 50 percent or less of the Company's outstanding common stock. This indemnification obligation was triggered in October 2022.

TALEN[®] is the Company's primary gene editing technology. TALEN[®] technology was invented by researchers at the University of Minnesota and Iowa State University and exclusively licensed to Collectis. The Company obtained an exclusive license for the TALEN[®] technology for commercial use in plants from Collectis. The Company also licenses other technology from Collectis. Collectis is entitled to royalties on any revenue the Company generates from sales of products less certain amounts as defined in the license agreement, royalties on certain cumulative revenue thresholds, and a percentage of any sublicense revenues. The Company has incurred nominal license and royalty fees for the three and nine months ended September 30, 2022 and 2021.

5. STOCKHOLDERS' EQUITY

Follow-On Public Offering

On February 23, 2022, the Company completed the Follow-On Offering, in which it issued 3,880,000 shares of its common stock, Pre-Funded Warrants to purchase up to 3,880,000 shares of its common stock, and Common Warrants to purchase up to 7,760,000 shares of its common stock. The aggregate offering price for each share of common stock and accompanying Common Warrant was \$1.41. The aggregate offering price for each Pre-Funded Warrant and accompanying Common Warrant was \$1.4099. In the aggregate, the Company received net proceeds of \$10.0 million, after deducting approximately \$0.9 million of underwriting discounts and estimated other offering expenses.

[Table of Contents](#)

Pre-Funded Warrants

Each Pre-Funded Warrant entitled the holder to purchase one share of the Company's common stock at an exercise price of \$0.0001 per share. The Pre-Funded Warrants were recorded as a component of stockholders' equity within additional paid-in capital. The Pre-Funded Warrants were exercised in full on May 4, 2022, and subsequently settled with the counterparty.

Common Stock Warrants

Each Common Warrant entitles the holder to purchase one share of common stock at an exercise price of \$1.41 per share. The Common Warrants became exercisable on August 23, 2022 and expire on August 23, 2027. The Common Warrants are recorded as a liability in the Company's consolidated balance sheet. Per the terms of the Common Warrants, a holder of an outstanding warrant is not entitled to exercise any portion of such warrant if, upon exercise of such portion of the warrant, the holder's ownership of the Company's common stock (together with its affiliates) or the combined voting power of the Company's securities beneficially owned by such holder (together with its affiliates) would exceed the 4.99 percent after giving effect to the exercise.

Warrant transactions for the nine months ended September 30, 2022, are as follows:

	Number of Pre-Funded Warrants	Weighted Average Exercise Price	Number of Common Warrants	Weighted Average Exercise Price
Outstanding as of December 31, 2021:				
Issued	3,880,000	\$0.0001	7,760,000	\$ 1.41
Forfeited/canceled	—	—	—	—
Exercised	3,880,000	\$0.0001	—	—
Outstanding as of September 30, 2022:	—	—	7,760,000	\$ 1.41
Exercisable as of September 30, 2022:	—	—	7,760,000	\$ 1.41

ATM Facility

On September 21, 2021, the Company entered into an ATM Facility with Jefferies LLC, as sole selling agent. On October 3, 2022, the Company entered into an amendment to the Open Market Sale Agreement that enables it, subject to the applicable baby shelf rules, to offer and sell up to 15,661,000 shares of its common stock. At its discretion the Company determines the timing and number of shares to be issued under the ATM Facility. During the nine months ended September 30, 2022, and in the subsequent period through October 3, 2022, the Company did not issue any shares under the ATM Facility. From October 3, 2022, through the date of this report, the Company has issued approximately 2.0 million shares of common stock under the ATM Facility for proceeds of \$0.1 million net of commissions and payments for other share issuance costs.

6. STOCK-BASED COMPENSATION

The Company uses broad-based stock plans to attract and retain highly qualified officers and employees and to help ensure that management's interests are aligned with those of its shareholders. The Company has also granted equity-based awards to directors, nonemployees, and certain employees of Collectis.

In December 2014, the Company adopted the Calyxt, Inc. Equity Incentive Plan (2014 Plan), which allowed for the grant of stock options, and in June 2017, it adopted the 2017 Omnibus Plan (2017 Plan), which allowed for the grant of stock options, restricted stock units, performance stock units and other types of equity awards. In July 2021, the Company also adopted the Calyxt, Inc. Employee Inducement Incentive Plan (the Inducement Plan), from which PSUs were granted to Michael A. Carr.

On February 19, 2021, James Blome ceased serving as the Company's Chief Executive Officer. In the nine-month period ended September 30, 2021, the Company recorded a benefit to earnings from a \$2.5 million recapture of non-cash stock compensation expense from the forfeiture of Mr. Blome's unvested stock options, RSUs, and PSUs.

[Table of Contents](#)

As of September 30, 2022, 2,712,803 shares were registered and available for grant under effective registration statements, while 3,105,208 shares were available for grant in the form of stock options, restricted stock, restricted stock units, and performance stock units under the 2017 Plan. Stock-based awards currently outstanding also include awards granted under the 2014 Plan and the Inducement Plan. No further awards will be granted under either the 2014 Plan or the Inducement Plan.

Stock Options

The estimated fair values of stock options granted, and the assumptions used for the Black-Scholes option pricing model were as follows:

	Nine Months Ended September 30,	
	2022	2021
Estimated fair values of stock options granted	\$ 0.86	\$ 3.93
Assumptions:		
Risk-free interest rate	1.9% - 3.5%	0.6% - 1.1%
Expected volatility	89.7% - 92.8%	80.1% - 82.0%
Expected term (in years)	5.50 - 6.89	5.5 - 6.5

The Company estimates the fair value of each stock option on the grant date, or other measurement date if applicable, using a Black-Scholes option pricing model, which requires it to make predictive assumptions regarding employee exercise behavior, future stock price volatility, and dividend yield. The Company estimates the risk-free interest rate based on the United States Treasury zero-coupon yield curve at the date of grant for the expected term of the option. The Company estimates its future stock price volatility using the weighted-average historical volatility calculated from a group of comparable public companies over the expected term of the option. The expected term of stock options is estimated using the average of the vesting tranches and the contractual life of each grant for employee options, or the simplified method, as the Company has limited historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior for its stock option grants. The use of the simplified method is dependent upon the type of equity award granted and the term of the award. The Company does not pay dividends and does not expect to pay dividends in the foreseeable future.

Option strike prices are set at 100 percent or more of the closing share price on the date of grant and generally vest over three to six years following the grant date. Options generally expire 10 years after the date of grant.

Information on stock option activity is as follows:

	Options Exercisable	Weighted- Average Exercise Price Per Share	Options Outstanding	Weighted- Average Exercise Price Per Share
Balance as of December 31, 2021	2,789,110	\$ 10.23	4,658,405	\$ 9.47
Granted			1,609,000	1.12
Exercised			—	—
Forfeited or expired			(420,606)	7.05
Balance as of September 30, 2022	3,314,828	\$ 9.88	5,846,799	\$ 7.35

Stock-based compensation expense related to stock option awards is as follows:

In Thousands	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Stock-based compensation expense	\$ 530	\$ 698	\$ 1,420	\$ 1,103

As of September 30, 2022, options outstanding and exercisable had no aggregate intrinsic value and the weighted average remaining contractual term was 5.3 years as of that date.

Net cash proceeds from the exercise of stock options less shares used for minimum withholding taxes and the intrinsic value of options exercised were as follows:

[Table of Contents](#)

In Thousands	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net cash proceeds	\$ —	\$ —	\$ —	\$ 227
Intrinsic value of options exercised	\$ —	\$ —	\$ —	\$ 344

As of September 30, 2022, unrecognized compensation expense related to non-vested stock options was \$3.7 million. This expense will be recognized over 23 months on average.

Restricted Stock Units

The Company grants restricted stock units which generally vest over three to five years after the date of grant. Information on restricted stock unit activity is as follows:

	Number of Restricted Stock Units Outstanding	Weighted-Average Grant Date Fair Value
Unvested balance as of December 31, 2021	571,303	\$ 6.15
Granted	1,077,600	1.26
Vested	(274,487)	6.14
Forfeited	(113,955)	4.13
Unvested balance as of September 30, 2022	1,260,461	\$ 2.15

The total grant-date fair value of restricted stock unit awards that vested is as follows:

In Thousands	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Grant-date fair value	\$ 530	\$ 581	\$ 1,686	\$ 1,223

Stock-based compensation expense related to restricted stock units is as follows:

In Thousands	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Stock-based compensation expense	\$ 334	\$ 416	\$ 992	\$ (105)

As of September 30, 2022, unrecognized compensation expense related to restricted stock units was \$1.6 million. This expense will be recognized over 25 months on average.

The Company accounts for stock-based compensation awards granted to employees of Collectis as deemed dividends. The Company recorded deemed dividends as follows:

In Thousands	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Deemed dividends from grants to Collectis employees	\$ 18	\$ (84)	\$ 82	\$ (55)

Performance Stock Units

In June 2022, PSU grants made to two executive officers in 2019 were forfeited because the underlying performance criteria were not met. These PSUs contained a market condition and had a five-year service period. The Company will continue to expense these PSUs over the remaining service period.

In March 2022, the Company granted 530,000 PSUs under the 2017 Plan to five employees including four executive officers. The PSUs include three annual performance periods (2022, 2023, and 2024) and target performance levels for each of those periods linked to the achievement of Company objectives as determined annually for the respective period by the Compensation Committee of the Company's Board of Directors (the Compensation Committee). Once the annual objectives are approved, the associated expense will be recognized on a straight-line basis over the period from the date of grant through the March 15 determination date. Earned awards will be settled in shares of Company stock no later than the March 15 determination date in the following calendar year. The grant date for the tranche of awards linked to 2022 performance is May 4, 2022. Determination of expense for the 2023 and 2024 tranches of PSUs will be made when the associated business objectives are determined.

[Table of Contents](#)

In July 2021, the Company granted 600,000 PSUs under the Inducement Plan to Mr. Carr. The PSUs will vest if the Company's stock remains above three specified price levels for thirty calendar days over the three-year performance period. The PSUs will be settled in unrestricted shares of the Company's common stock on the vesting date.

PSU activity for the nine months ended September 30, 2022, is as follows:

	Number of PSUs
Outstanding as of December 31, 2021:	745,000
Issued	530,000
Forfeited/canceled	(145,000)
Exercised	—
Outstanding as of September 30, 2022:	<u>1,130,000</u>

Stock-based compensation expense related to PSUs is as follows:

In Thousands	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Stock-based compensation expense	\$ 171	\$ 122	\$ 478	\$ (133)

As of September 30, 2022, unrecognized compensation expense related to PSUs was \$1.1 million. This expense will be recognized over 22 months on average.

7. INCOME TAXES

The Company provides for a valuation allowance when it is more likely than not that it will not realize a portion of the deferred tax assets. The Company has established a full valuation allowance for deferred tax assets due to the uncertainty that enough taxable income will be generated in the taxing jurisdiction to utilize the assets. Therefore, the Company has not reflected any benefit of such deferred tax assets in the accompanying consolidated financial statements.

As of September 30, 2022, there were no material changes to what the Company disclosed regarding tax uncertainties or penalties as of December 31, 2021.

8. LEASES, COMMITMENTS, AND CONTINGENCIES

Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) and in July 2018, ASU No. 2018-10, Codification Improvements to Topic 842, Leases, and ASU 2018-11, Leases (Topic 842) – Targeted Improvements (collectively, the Standard). As discussed in Note 1, the Company adopted the Standard on January 1, 2022.

The Company's leases are summarized as follows:

- A lease for its headquarters and laboratory facilities in Roseville, MN which encompasses approximately 38,000 square feet. The original lease term was 20 years, and the Company holds four 5-year renewal options. Historically, this lease was considered a failed sale leaseback based on the nature of the transactions and was reported as a financing-type lease.
- An equipment financing arrangement that is considered a financing-type lease. This arrangement has a term of four years for each draw. The Company was required to deposit cash into a restricted account in an amount equal to the future rent payments required by the lease. As of September 30, 2022, restricted cash totaled \$0.2 million. The Company has the option to request the return of excess collateral annually in December, and the amount the Company expects to receive is reflected as a current asset.
- A small number of short-term and immaterial leases for office equipment.

The Company's adoption of the Standard required it to remove its existing land, buildings, and equipment associated with its headquarters lease as well as the associated liability. The Company assessed the elements of its lease agreement and upon adoption, recorded an operating lease associated with the sale leaseback of land underlying the headquarter facility, and a second operating lease associated with the building. The cumulative effect of the adoption of the Standard was recorded to stockholders' equity. The impact of adoption on the Company's December 31, 2021, consolidated balance sheet was as follows:

[Table of Contents](#)

	As Reported December 31, 2021	Adoption of Lease Standard	As Adjusted December 31, 2021
Assets			
Land, buildings, and equipment	\$ 21,731	\$ (16,543)	\$ 5,188
Operating lease right-of-use assets	—	14,090	14,090
	<u>\$ 21,731</u>	<u>\$ (2,453)</u>	<u>\$ 19,278</u>
Liabilities and stockholders' equity			
Current portion of financing lease obligations	\$ 370	\$ (4)	\$ 366
Other current liabilities	191	276	467
Financing lease obligations	17,506	(17,371)	135
Operating lease obligations	—	13,814	13,814
Accumulated deficit	(196,092)	832	(195,260)
	<u>\$ (178,025)</u>	<u>\$ (2,453)</u>	<u>\$ (180,478)</u>

The Company records its operating lease liabilities at the present value of the future lease payments over the lease term. If the lease term includes options to extend or terminate the lease, those elements are included in the determination of lease term when it is reasonably certain that the option will be exercised. The rate used to determine the present value of future lease payments is the rate stated in the lease agreement, or if not stated, the Company's incremental borrowing rate is used, up to an effective rate that enables the lease liability to amortize to zero over the lease term. Rent expense for operating leases is recorded in selling, general, and administrative (SG&A) expense in the consolidated statements of operations and in operating cash flows in the consolidated statements of cash flows. The Company also records operating lease right-of-use assets at an initial amount equal to the operating lease liability. Those right-of-use assets are amortized to lease expense within SG&A over the lease term using the effective interest method to ensure the right-of-use asset amortizes to zero concurrent with the associated liability, and the right-of-use asset amortization expense is also reported in operating cash flows in the consolidated statements of cash flows.

The Company records its financing lease liabilities at the present value of the future lease payments over the lease term. If the lease term includes options to extend or terminate the lease, those elements are included in the determination of lease term when it is reasonably certain that the option will be exercised. The rate used to determine the present value of future lease payments is the rate stated in the lease agreement, or if not stated, the Company's incremental borrowing rate is used, up to an effective rate that enables the lease liability to amortize to zero over the lease term. Expense associated with financing leases is recorded in interest, net in the consolidated statements of operations and in operating cash flows in the consolidated statements of cash flows.

The Company is obligated under non-cancellable operating leases, primarily for office space and certain equipment, as follows:

[Table of Contents](#)

<u>In Thousands</u>	<u>As of September 30, 2022</u>	
	<u>Remaining Term (years)</u>	<u>Right-of- Use Asset</u>
Roseville, MN lease	15.6	\$13,734
Total		\$13,734

The Roseville, MN lease includes four options to each extend the lease for 5 years. These options to extend the lease are not recognized as part of the right-of-use assets and operating lease liabilities as it is not reasonably certain that the Company will exercise those options. The Company's agreement does not include options to terminate the lease.

The components of lease expense were as follows:

<u>In Thousands</u>	<u>Three Months Ended September 30, 2022</u>	<u>Nine Months Ended September 30, 2022</u>
Finance lease costs	\$ 57	\$ 73
Operating lease costs	381	1,174
Variable lease costs	260	717
Total	\$ 698	\$ 1,964

Operating lease cost for short-term leases was not material for the nine months ended September 30, 2022.

Other information related to leases was as follows:

<u>In Thousands except for lease term and discount rate</u>	<u>As of and for Nine Months Ended September 30, 2022</u>	
	<u>Operating</u>	<u>Financing</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows	\$ 205	\$ —
Financing cash flows	\$ —	\$ 353
Weighted average remaining lease term (years)	15.6	0.6
Weighted average discount rate	7.9%	8.1%

[Table of Contents](#)

As of September 30, 2022, future minimum payments under operating and finance leases were as follows:

<u>In Thousands</u>	<u>Operating</u>	<u>Financing</u>	<u>Total</u>
Remainder of 2022	\$ 345	\$ 25	\$ 370
2023	1,446	100	1,546
2024	1,480	—	1,480
2025	1,479	—	1,479
2026	1,479	—	1,479
2027	1,479	—	1,479
Thereafter	16,991	—	16,991
	<u>24,699</u>	<u>125</u>	<u>24,824</u>
Less: imputed interest	(10,814)	(5)	(10,819)
Total	<u>\$ 13,885</u>	<u>\$ 120</u>	<u>\$ 14,005</u>

Litigation and Claims

The Company is not currently a party to any material pending legal proceeding except as disclosed in Note 10.

9. SUPPLEMENTAL INFORMATION

Certain statement of operations amounts are as follows:

<u>In Thousands</u>	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Stock-based compensation expense:				
Research and development	\$ 210	\$ 252	\$ 620	\$ 1,061
Selling, general, and administrative	825	984	2,270	(196)
Total	<u>\$ 1,035</u>	<u>\$ 1,236</u>	<u>\$ 2,890</u>	<u>\$ 865</u>
<u>In Thousands</u>	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Interest, net:				
Interest expense	\$ (57)	\$ (356)	\$ (73)	\$ (1,075)
Interest income	31	—	44	16
Common stock warrants - financing costs amortization	(21)	—	(51)	—
Total	<u>\$ (47)</u>	<u>\$ (356)</u>	<u>\$ (80)</u>	<u>\$ (1,059)</u>

[Table of Contents](#)

Certain balance sheet amounts are as follows:

<u>In Thousands</u>	<u>As of September 30, 2022</u>	<u>As of December 31, 2021</u>
Cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	\$ 7,031	\$ 13,823
Restricted cash	174	499
Non-current restricted cash	—	99
Total	\$ 7,205	\$ 14,421

Supplemental statement of cash flows information is as follows:

<u>In Thousands</u>	<u>As of September 30,</u>	
	<u>2022</u>	<u>2021</u>
Interest paid	\$ 67	1,072

Non-cash transactions not reported in the consolidated statement of cash flows is as follows:

<u>In Thousands</u>	<u>As of September 30,</u>	
	<u>2022</u>	<u>2021</u>
Receivable from Jefferies for shares issued under ATM Facility	\$ (260)	\$ —
Non-cash additions to land, buildings, and equipment	\$ (687)	\$ —
Cumulative effect of adoption of lease accounting standard on stockholders' equity	\$ 832	\$ —
Establishment of operating lease right-of-use assets and associated operating lease liabilities	\$14,090	\$ —

10. SUBSEQUENT EVENT

In early November 2022, the Company reached a settlement with one of its technology vendors regarding alleged intellectual property infringement. As a result of the settlement, the Company will receive \$0.75 million upon execution of an amended master services agreement (MSA) and another \$0.75 million by January 31, 2023. The execution of the MSA is anticipated to occur in late 2022.

[Table of Contents](#)

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

The following discussion and analysis of the Company’s financial condition and results of operations should be read together with its consolidated financial statements and related notes, which are included elsewhere in this Quarterly Report on Form 10-Q and with its Annual Report on Form 10-K for the year ended December 31, 2021, including the Consolidated Financial Statements and Notes incorporated therein. The Company uses the term “compounds” to describe compounds, molecules, and plant-based chemistries interchangeably.

EXECUTIVE OVERVIEW

Calyxt is a plant-based synthetic biology company. The Company leverages its proprietary PlantSpring™ technology platform to engineer plant metabolism to produce innovative, high-value, and sustainable materials and products for use in helping customers meet their sustainability targets and financial goals. The Company’s primary focus and commercialization strategy is on engineering synthetic biology solutions through its PlantSpring platform for manufacture using its proprietary and differentiated BioFactory™ production system for a diverse base of target customers across a range of end markets, including the cosmeceutical, nutraceutical, and pharmaceutical industries. The Company also commercializes its PlantSpring technology platform by licensing elements of the platform and historically developed traditional agriculture seed-trait product candidates, as well as selectively developing product candidates for customers in traditional agriculture.

The Company is an early-stage company and has incurred net losses since its inception. As of September 30, 2022, the Company had an accumulated deficit of \$209.3 million. The Company’s net losses were \$14.1 million for the nine months ended September 30, 2022. The Company expects to continue to incur significant expenses and operating losses for the next several years. Those expenses and losses may fluctuate significantly from quarter-to-quarter and year-to-year.

The Company expects that its expenses in connection with the execution of its long-term business plan will be primarily driven by:

- Research and development (R&D) expenses to continue to enhance the capabilities of its PlantSpring technology platform;
- R&D expenses and potential capital expenditures to expand its BioFactory production system from laboratory scale through various pilot vessel sizes;
- other R&D expenses to further develop traditional agriculture seed-trait product candidates for its licensee customers;
- to the extent not reimbursed by its customers, conducting regulatory studies and other associated activities for its current and future products under development;
- acquiring or in-licensing other products, technologies, germplasm, or other biological material;
- maintaining, protecting, expanding, and defending its intellectual property portfolio, including intellectual property related to the PlantSpring technology platform and BioFactory production system;
- seeking to attract and retain skilled personnel; and
- identifying and negotiating agreements with customers, licensees, and infrastructure partners.

In the near-term, the Company is managing operational expenses and implementing various cost reduction measures in response to current liquidity challenges. As the Company actively seeks additional financing and evaluates alternative strategic transactions, Calyxt expects that expenses will also include increased professional and other transaction-related expenses.

BUSINESS

Calyxt’s business model for its proprietary PlantSpring technology and the BioFactory is customer demand driven. During the quarter, the Company continued to advance its discussions with potential customers within the cosmeceutical, nutraceutical, and pharmaceutical target end markets. These are three key large end markets with potential customers that have current business needs to source finite plant-based chemistries. They are also markets known to be fast adopters of innovation that are actively seeking to reduce carbon footprints. For example, based on research from MarketsandMarkets¹, Calyxt estimates that the cosmeceutical ingredients market, which also includes personal care and flavors and fragrances, was a spend of more than \$60 billion in 2020 and growing at a mid-single digit compound annual growth rate. This market includes large multinational cosmetics brands, regional and specialty brands, and flavor and fragrance houses who manufacture products or provide ingredients for those brands.

¹ Source:

1. MarketsandMarkets, Personal Care Ingredients Market – Global Forecast to 2025,
2. MarketsandMarkets, Global Color Cosmetics Market – Forecast Till 2020,
3. MarketsandMarkets, Fragrance Ingredients Market – Global Trends & Forecast to 2019
4. MarketsandMarkets, Flavors and Fragrance Market – Global Forecast to 2026

[Table of Contents](#)

On October 25, 2022, the Company announced that it had successfully produced squalene, an important ingredient in many personal care products and vaccine adjuvants, including several strands of flu and COVID-19 vaccines. The Company used an engineered Plant Cell Matrix™ to produce the chemistry. Traditionally sourced from shark liver, many companies who require the ingredient for their products have already begun to seek out alternative squalene sources that represent a more sustainable path forward. With the increasing demand for natural ingredients in cosmetics along with the urgency to develop more vaccines that are effective at boosting our immune response, the global squalene market represents a significant and growing market opportunity.

In the third quarter, the Company continued to actively pursue business development discussions, receiving thirty-seven new chemistries from potential customers for evaluation. These additional chemistries bring the total number of chemistries cumulatively evaluated for development with PlantSpring for production in its BioFactory to 132. Of these 132 chemistries, 43 have met the Company's target product profile, or TPP, criteria and are subject to further evaluation and discussion with the potential customers. Additionally, the evaluated chemistries include several that were identified by potential customers as having been unsuccessfully attempted by others in the synthetic biology industry. As part of the customer acquisition process and subject to prioritization in light of available resources, the Company intends to select certain chemistries for the production of small quantities of product for evaluation by the customer. As a result, the Company believes the development cycle from contract signing to commercialization for such products may be shorter than 36 months because the period from lab to pilot scale production may accelerate.

Leveraging the 43 customer demand-driven chemistries that have passed its TPP criteria, the Company is currently negotiating agreements and term sheets with potential customers for the development of a select number of those plant-based chemistries.

The Company is performing a pilot project for a potential high-value chemistry for a large global consumer packaged goods (CPG) company. The Company expects to deliver an engineered solution in early 2023. This could form the basis for a formal engagement to complete development and produce the chemistry for that CPG company, or another company in the space who may be interested in the chemistry.

The Company previously identified a goal of two to four customer demand-driven compounds for development by year end using its TPP selection criteria to determine the compounds to pursue. In light of current constraints on capital resources, the Company has strategically focused this effort, and currently expects to reach agreements for the development of two or three such compounds by year end.

Throughout the quarter, the Company continued to focus its operational spending toward work on scaling and standardizing production in its pilot BioFactory system.

In the third quarter of 2022, the Company signed an agreement with its first infrastructure partner, Evologic Technologies GmbH (Evologic), to further develop and scale the Plant Cell Matrix technology platform. The agreement supports the continued build-out of Calyxt's plant-based synthetic biology capabilities. Under the terms of the agreement, Evologic will work alongside Calyxt to grow and scale Calyxt's proprietary PCM technology. Also during the quarter, the Company continued discussions with other potential infrastructure partners. Evologic, and other potential infrastructure partners, offer a global footprint and capabilities to enable the Company to have the speed to scale, as they have capacities from pilot to commercial scale production. The Company's asset-lite approach is designed to focus the deployment of available capital on product development and the acceleration of the speed at which the Company can bring chemistries to potential customers.

Since the Company refocused its licensing business in late 2021, it has developed its strategy for maximizing potential revenue from the licensing of its technology and plant traits. The strategy is two-pronged and reflects (1) a broad outreach to companies in the plant gene-editing and biotechnology space for their licensing of the Company's intellectual property assets and (2) the monetization of the Company's historically developed agricultural traits through their license to counterparties including seed companies, processors, and others. The Company is offering licenses for the many gene editing and breeding technologies in its patent portfolio, including its TALEN patent estate.

In the third quarter of 2022, the Company continued discussions with potential customers regarding the licensing of its patents and for the licensing of its plant traits. For plant traits specifically, there has been significant interest in Calyxt's high fiber wheat and second generation high oleic soybean offerings.

In the fourth quarter of 2021, the Company contracted with a large food ingredient manufacturer to develop a soybean intended to produce an oil that could serve as a replacement for palm oil. The food ingredient manufacturer is funding the Company's development costs over the term of the agreement and holds an option for future development and commercialization. The Company expects to achieve the first \$100 thousand milestone payment as early as the fourth quarter of 2022, with the overall project scheduled for completion in the first quarter of 2024, at which time the second milestone payment of \$100 thousand would be due.

While the Company is actively seeking additional financing to support its promising operational activities, the timing and success of the Company's product development activities depends upon the Company's ability to bolster its near-term capital resources.

RELATIONSHIP WITH COLLECTIS AND COMPARABILITY OF RESULTS

The Company's largest shareholder is Collectis. As of September 30, 2022, Collectis owned 51.2 percent of the Company's issued and outstanding common stock. Collectis' ownership was diluted to 49.1 percent in October 2022 following the sale of shares under the ATM Facility.

[Table of Contents](#)

Collectis has certain contractual rights as well as rights pursuant to the Company's certificate of incorporation and bylaws, in each case, for so long as it maintains threshold beneficial ownership levels in the Company's shares. See "Risk Factors—Although Collectis and its affiliates hold less than a majority of the Company's outstanding common stock, Collectis possesses certain rights that prevent other stockholders from influencing significant decisions."

In addition, Collectis has guaranteed the lease agreement for the Company's headquarters. However, the Company previously agreed to indemnify Collectis for any obligations under this guaranty, effective upon Collectis' ownership falling to 50 percent or less of the Company's outstanding common stock. Accordingly, the Company's indemnification obligation was triggered in October 2022.

The Company holds an exclusive license from Collectis that broadly covers the use of engineered nucleases for plant gene editing. This intellectual property covers methods to edit plant genes using "chimeric restriction endonucleases," which include TALEN®, CRISPR/Cas9, zinc finger nucleases, and some types of meganucleases.

FINANCIAL OPERATIONS OVERVIEW

Revenue

Revenue is recognized from sales of products, from licenses of technology, and from product development activities for customers.

[Table of Contents](#)

Cost of Goods Sold

Cost of goods sold are recognized as products are sold. There are minimal costs of goods sold associated with the Company's technology licensing activities.

Research and Development (R&D) Expense

The Company's R&D expenses primarily consist of employee-related costs for personnel who research and develop its product candidates, fees for contractors who support product development activities, purchasing material and supplies for its laboratories, licensing, an allocation of facility and information technology expenses, and other costs associated with owning and operating its own laboratories and pilot BioFactory capabilities. This includes the costs of performing activities to discover and develop products and advance the Company's PlantSpring technology platform, including its intellectual property portfolio. BioFactory expenses from lab through pilot, unless incurred related to a specific product sold to a customer, are also classified as R&D expense. R&D expenses also include costs to write and support the research for filing patents. The Company recognizes R&D expenses as they are incurred.

Selling, General, and Administrative (SG&A) Expense

SG&A expenses consist primarily of employee-related expenses for selling and licensing the Company's products and employee-related expenses for its executive, legal, intellectual property, information technology, finance, and human resources functions. Other SG&A expenses include facility and information technology expenses not otherwise allocated to R&D expenses, professional fees for auditing, tax and legal services, expenses associated with maintaining patents, consulting costs and other costs of the Company's information systems, and costs to market its products.

Interest, net

Interest, net is comprised of interest income resulting from investments of cash and cash equivalents, short-term investments, unrealized gains and losses on short-term investments, issuance costs associated with the Common Warrants, and interest expense incurred related to financing lease obligations. It is also driven by balances, yields, and timing of financing and other capital raising activities.

Non-operating income (expenses)

Non-operating income (expenses) are income or expenses that are not directly related to ongoing operations and are primarily comprised of gains and losses from the mark-to-market of common stock warrants, foreign exchange-related transactions, and disposals of land, buildings, and equipment.

Anticipated Changes Between Revenues and Costs

As the Company executes upon its business model, it expects the composition of revenues and costs to evolve. The Company anticipates any revenues in the near-term will be from product development activities for customers for both the BioFactory and agricultural production and technology licensing arrangements. Future cash and revenue-generating opportunities associated with these activities, if any, are expected to primarily arise from up-front and milestone payments, annual license fees, and royalties. It is anticipated that, if and when the BioFactory begins to produce products for customers, those revenues will grow and surpass revenues from other sources. These revenues, if realized, are anticipated to have strong positive gross profit margins over time.

Recent Developments – COVID-19 Update

In accordance with the Company's COVID-19 Preparedness Plan, Minnesota executive order requirements, and guidelines promoted by the Centers for Disease Control and Prevention, the Company implemented health and safety measures for the protection of its onsite workers, maintained remote work arrangements for its non-laboratory personnel, and implemented, as necessary, appropriate self-quarantine precautions for potentially affected laboratory personnel. On May 28, 2021, nearly all Minnesota COVID-19 restrictions came to an end, including all capacity limits and distancing requirements – both indoors and outdoors. The Company's non-laboratory personnel returned to working onsite in mid-July 2021.

During the nine months ended September 30, 2022, the COVID-19 pandemic did not have a material impact on the Company's operations. However, a resurgence or prolonging of the COVID-19 pandemic, governmental response measures (including vaccination requirements or other mandatory health and safety requirements) and resulting disruptions could rapidly offset such improvements. Moreover, the long-term effects of the COVID-19 pandemic on the financial markets and broader economy remain uncertain, which may make obtaining capital challenging and may exacerbate the risk that capital, if available, may not be available on terms acceptable to the Company. There continues to be uncertainty relating to the COVID-19 pandemic and its long-term impact, and many factors could affect the Company's results and operations, including, but not limited to, those described in Part I, Item 1A, "Risk Factors" of the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

[Table of Contents](#)

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022, COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 2021

A summary of the Company's results of operations for the three months ended September 30, 2022, and 2021 follows:

	Three Months Ended September 30,			
	2022	2021	\$ Change	% Change
	(In thousands, except percentage values)			
Revenue	\$ 42	\$ 7,762	\$(7,720)	(99)%
Cost of goods sold	—	8,281	(8,281)	(100)%
Gross profit	42	(519)	561	108%
Research and development	3,016	2,579	437	17%
Selling, general, and administrative	3,229	3,859	(630)	(16)%
Loss from operations	(6,203)	(6,957)	754	11%
Interest, net	(47)	(356)	309	87%
Non-operating income (expenses)	300	6	294	4,900%
Net loss	\$(5,950)	\$(7,307)	\$ 1,357	19%
Basic and diluted net loss per share	\$ (0.13)	\$ (0.20)	\$ 0.07	35%
Adjusted EBITDA ¹	\$(4,610)	\$(6,941)	\$ 2,331	34%

¹ See "Use of Non-GAAP Financial Information" for a discussion of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to Net loss, the most comparable GAAP measure.

Revenue, Cost of Goods Sold, and Gross Profit

Revenues were nominal in the third quarter of 2022, a decrease of \$7.7 million, or 99 percent, from the third quarter of 2021. Cost of goods sold was zero in the third quarter of 2022, a decrease of \$8.3 million, or 100 percent, from the third quarter of 2021. Gross profit was nominal, constituting 100 percent of revenue, in the third quarter of 2022, compared to negative \$0.5 million, or negative 7 percent of revenue, in the third quarter of 2021. The decreases in revenue and cost of goods sold and improvement in gross profit were driven by the late 2021 completion of the wind-down of the Company's soybean product line and transition of the Company's focus to synthetic biology, which remains an early stage field and has not yet generated significant revenue. Revenue in the third quarter of 2022 was primarily associated with the Company's agreement with a large food ingredient manufacturer to develop a palm oil alternative.

Research and Development Expense

R&D expense was \$3.0 million in the third quarter of 2022, an increase of \$0.4 million, or 17 percent, from the third quarter of 2021. The increase was primarily driven by an increase in allocated SG&A costs of \$0.5 million as the Company adjusted its cost allocation methodology at the beginning of 2022.

Selling, General, and Administrative Expense

SG&A expense was \$3.2 million in the third quarter of 2022, a decrease of \$0.6 million, or 16 percent, from the third quarter of 2021. The decrease was driven by the benefit of higher cost allocations to R&D expense of \$0.5 million, lower non-cash stock compensation expenses of \$0.1 million, and lower operating expenses as a result of the Company's cost reduction efforts, partially offset by higher rent expense as a result of the adoption of the lease accounting standard.

Interest, net

Interest, net was nominal in the third quarter of 2022, a decrease of \$0.3 million, or 87 percent, from the third quarter of 2021. The decrease was driven by the adoption of the lease accounting standard, which shifted amounts previously reported as interest expense to SG&A expense.

Non-operating income (expenses)

Non-operating income (expenses) were income of \$0.3 million in the third quarter of 2022, an increase of \$0.3 million, or 4,900 percent, from the third quarter of 2021. The improvement was driven by the mark-to-market of the Company's Common Warrants derivative liability, which declined in value due to a decline in stock price in 2022.

Net Loss and Adjusted Net Loss

Net loss was \$6.0 million in the third quarter of 2022, an improvement of \$1.4 million, or 19 percent, from the third quarter of 2021. The improvement in net loss was driven by an improvement in gross profit of \$0.6 million and non-operating income (expenses) including a \$0.3 million gain from the mark-to-market of the Company's Common Warrants derivative liability.

[Table of Contents](#)

Adjusted net loss was \$6.2 million in the third quarter of 2022, an improvement of \$2.9 million, or 32 percent, from the third quarter of 2021. The improvement in adjusted net loss was driven by the completion of the wind-down of the soybean product line in late 2021.

See below under the heading “Use of Non-GAAP Financial Information” for a discussion of adjusted net loss and a reconciliation of net loss, the most comparable GAAP measure, to adjusted net loss.

Net Loss Per Share and Adjusted Net Loss Per Share

Net loss per share was \$0.13 in the third quarter of 2022, an improvement of \$0.07 per share, or 35 percent, from the third quarter of 2021. The improvement in net loss per share was driven by the improvement in net loss and a year-over-year increase in weighted average shares outstanding.

Adjusted net loss per share was \$0.13 in the third quarter of 2022, an improvement of \$0.11 per share, or 46 percent, from the third quarter of 2021. The improvement in adjusted net loss per share was driven by the improvement in adjusted net loss and a year-over-year increase in weighted average shares outstanding.

See below under the heading “Use of Non-GAAP Financial Information” for a discussion of adjusted net loss per share and a reconciliation of net loss per share, the most comparable GAAP measure, to adjusted net loss per share.

Adjusted EBITDA

Adjusted EBITDA loss was \$4.6 million in the third quarter of 2022, an improvement of \$2.3 million, or 34 percent, from the third quarter of 2021. The improvement was driven by the completion of the wind-down of the soybean product line in late 2021.

See below under the heading “Use of Non-GAAP Financial Information” for a discussion of adjusted EBITDA and a reconciliation of net loss, the most comparable GAAP measure, to adjusted EBITDA.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022, COMPARED TO THE NINE MONTHS ENDED SEPTEMBER 30, 2021

A summary of the Company’s results of operations for the nine months ended September 30, 2022, and 2021 follows:

	Nine Months Ended September 30,			
	2022	2021	\$ Change	% Change
	(In thousands, except percentage values)			
Revenue	\$ 115	\$ 24,044	\$(23,929)	(100)%
Cost of goods sold	—	26,553	(26,553)	(100)%
Gross profit	115	(2,509)	2,624	105%
Research and development	9,207	8,473	734	9%
Selling, general, and administrative	9,965	11,640	(1,675)	(14)%
Loss from operations	(19,057)	(22,622)	3,565	16%
Gain upon extinguishment of Payroll Protection Program loan	—	1,528	(1,528)	(100)%
Interest, net	(80)	(1,059)	979	92%
Non-operating income (expenses)	5,083	11	5,072	46,109%
Net loss	\$(14,054)	(22,142)	\$ 8,088	37%
Basic and diluted net loss per share	\$ (0.31)	(0.60)	\$ 0.29	48%
Adjusted EBITDA ¹	\$(14,379)	(19,582)	\$ 5,203	27%

¹ See “Use of Non-GAAP Financial Information” for a discussion of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to Net loss, the most comparable GAAP measure.

Revenue, Cost of Goods Sold, and Gross Profit

Revenues were \$0.1 million in the first nine months of 2022, a decrease of \$23.9 million, or 100 percent, from the first nine months of 2021. Cost of goods sold was zero in the first nine months of 2022, a decrease of \$26.6 million, or 100 percent, from the first nine months of 2021. Gross profit was \$0.1 million, constituting 100 percent of revenue, in the first nine months of 2022, compared to negative \$2.5 million, or negative 10 percent of revenue, in the first nine months of 2021. The decreases in revenue and cost of goods sold and improvement in gross profit were driven by the late 2021 completion of the wind-down of the Company’s soybean product line and transition of the Company’s focus to synthetic biology, which remains an early stage field and has not yet generated significant revenue. Revenue in the first nine months of 2022 was primarily associated with the Company’s agreement with a large food ingredient manufacturer to develop a palm oil alternative.

Research and Development Expense

R&D expense was \$9.2 million in the first nine months of 2022, an increase of \$0.7 million, or 9 percent, from the first nine months of 2021. The increase was primarily driven by an increase in allocated SG&A costs of \$1.5 million as the Company adjusted its cost allocation methodology at the beginning of 2022, partially offset by lower stock compensation and professional services expenses.

[Table of Contents](#)

Selling, General, and Administrative Expense

SG&A expense was \$10.0 million in the first nine months of 2022, a decrease of \$1.7 million, or 14 percent, from the first nine months of 2021. The decrease was driven by higher cost allocations to R&D expense of \$1.5 million and lower professional service expenses driven by the Company's cost reduction efforts, partially offset by higher rent expense as a result of the adoption of the lease accounting standard.

Interest, net

Interest, net was an expense of \$0.1 million in the first nine months of 2022, an improvement of \$1.0 million, or 92 percent, from the first nine months of 2021. The improvement was driven by the adoption of the lease accounting standard, which shifted amounts previously reported as interest expense to SG&A expense.

Non-operating income (expenses)

Non-operating income (expenses) were income of \$5.1 million in the first nine months of 2022, an improvement of \$5.1 million, or 46,109 percent, from the first nine months of 2021. The improvement was driven by the mark-to-market of the Company's Common Warrants derivative liability, which declined in value due to a decline in stock price in 2022.

Net Loss and Adjusted Net Loss

Net loss was \$14.1 million in first nine months of 2022, an improvement of \$8.1 million, or 37 percent, from the first nine months of 2021. The improvement in net loss was driven by the mark-to-market of the Company's Common Warrants derivative liability, the completion of the wind-down of the soybean product line in late 2021, and lower operating expenses. These improvements were partially offset by the gain realized on the forgiveness of the Payroll Protection Program loan in the second quarter of 2021.

Adjusted net loss was \$18.9 million in the first nine months of 2022, an improvement of \$7.0 million, or 27 percent, from the first nine months of 2021. The improvement in adjusted net loss was driven by the completion of the wind-down of the soybean product line in late 2021 and lower operating expenses.

See below under the heading "Use of Non-GAAP Financial Information" for a discussion of adjusted net loss and a reconciliation of net loss, the most comparable GAAP measure, to adjusted net loss.

Net Loss Per Share and Adjusted Net Loss Per Share

Net loss per share was \$0.31 in the first nine months of 2022, an improvement of \$0.29 per share, or 48 percent, from the first nine months of 2021. The improvement in net loss per share was driven by the improvement in net loss and a year-over-year increase in weighted average shares outstanding.

Adjusted net loss per share was \$0.42 in the first nine months of 2022, an improvement of \$0.27 per share, or 39 percent, from the first nine months of 2021. The improvement in adjusted net loss per share was driven by the improvement in adjusted net loss and a year-over-year increase in weighted average shares outstanding.

See below under the heading "Use of Non-GAAP Financial Information" for a discussion of adjusted net loss per share and a reconciliation of net loss per share, the most comparable GAAP measure, to adjusted net loss per share.

Adjusted EBITDA

Adjusted EBITDA loss was \$14.4 million in the first nine months of 2022, an improvement of \$5.2 million, or 27 percent, from the first nine months of 2021. The improvement was driven by the completion of the wind-down of the soybean product line in late 2021 and lower operating expenses.

See below under the heading "Use of Non-GAAP Financial Information" for a discussion of adjusted EBITDA and a reconciliation of net loss, the most comparable GAAP measure, to adjusted EBITDA.

[Table of Contents](#)

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2022, the Company had \$7.2 million of cash, cash equivalents, and restricted cash. The Company's restricted cash balances are cash and cash equivalents deposited in an amount equal to future equipment rent payments, as required under its equipment lease facility. The Company may request the return of excess restricted cash collateral annually in December. The Company's restricted cash was \$0.2 million as of September 30, 2022. Current liabilities were \$4.2 million as of September 30, 2022. The Company's current cash, cash equivalents, and restricted cash is sufficient to cover all of its current liabilities as of September 30, 2022.

The following tables summarize cash flows for the nine months ended September 30, 2022, and 2021:

Cash Flows from Operating Activities

In Thousands	Nine Months Ended September 30,			
	2022	2021	\$ Change	% Change
Net loss	<u>\$ (14,054)</u>	<u>\$ (22,142)</u>	<u>\$ 8,088</u>	<u>37%</u>
Gain upon extinguishment of Payroll Protection Program loan	—	(1,528)	1,528	100%
Depreciation and amortization expenses	1,158	1,776	(618)	(35)%
Stock-based compensation	2,890	865	2,025	234%
Unrealized (gain) loss on mark-to-market of common stock warrants	(5,009)	—	(5,009)	NM
Changes in operating assets and liabilities	(586)	6,375	(6,961)	(109)%
Net cash used by operating activities	<u>\$ (15,601)</u>	<u>\$ (14,654)</u>	<u>\$ (947)</u>	<u>(7)%</u>

NM - not meaningful

Net cash used by operating activities was \$15.6 million in the first nine months of 2022, an increase in cash used of \$1.0 million, or 7 percent, from the first nine months of 2021. The net cash used by operating activities result was driven by a \$8.1 million improvement in net loss, a \$2.0 million increase in non-cash stock compensation, primarily the result of the forfeiture of unvested stock awards in the first quarter of 2021, and the \$1.5 million gain upon extinguishment of the Payroll Protection Program loan in the second quarter of 2021, which were more than offset by a \$5.0 million gain on mark-to-market of the Common Warrants and a \$7.0 million decline in cash provided by operating assets and liabilities due to the completion of the wind-down of the soybean product line in late 2021 and transition of the Company's focus to synthetic biology, which remains an early stage field and has not yet generated significant revenue.

Although the Company has implemented cash-focused measures to manage liquidity, the Company continues to expect cash used by operating activities for the full year 2022 to be higher than full year 2021, driven by the elimination of the working capital benefit received in 2021 from the wind-down of the soybean product line.

Cash Flows from Investing Activities

In Thousands	Nine Months Ended September 30,			
	2022	2021	\$ Change	% Change
Proceeds from sales of short-term investments	<u>\$ —</u>	<u>\$ 11,698</u>	<u>\$ (11,698)</u>	<u>(100)%</u>
Purchases of land, buildings, and equipment	(1,509)	(376)	(1,133)	(301)%
Net cash (used by) provided by investing activities	<u>\$ (1,509)</u>	<u>\$ 11,322</u>	<u>\$ (12,831)</u>	<u>(113)%</u>

Net cash used by investing activities was \$1.5 million in the first nine months of 2022, an increase in cash used of \$12.8 million, or 113 percent, from the first nine months of 2021. The increase in cash used by investing activities was driven by the 2021 sale of short-term investments to fund operations and higher capital expenditures.

The Company expects cash used for purchases of land, buildings, and equipment in 2022 to be higher than 2021, driven by investments in prior quarters to scale its BioFactory production system.

Cash Flows from Financing Activities

In Thousands	Nine Months Ended September 30,			
	2022	2021	\$ Change	% Change
Proceeds from common stock issuance	<u>\$ 11,209</u>	<u>\$ —</u>	<u>\$ 11,209</u>	<u>NM</u>
Costs incurred related to the issuance of stock	(962)	—	(962)	NM
Repayments of financing lease obligations	(353)	(271)	(82)	(30)%
Proceeds from the exercise of stock options	—	227	(227)	(100)%
Net cash provided by (used by) financing activities	<u>\$ 9,894</u>	<u>\$ (44)</u>	<u>9,938</u>	<u>22,586%</u>

[Table of Contents](#)

NM – not meaningful

Net cash provided by financing activities was \$9.9 million in the first nine months of 2022, an increase of \$9.9 million, or 22,586 percent, from the first nine months of 2021. The increase was primarily driven by \$10.0 million of net proceeds from the Follow-On Offering in February 2022.

The Company expects cash provided by financing activities in 2022 to be higher than 2021, driven by the proceeds from the Follow-on Offering.

[Table of Contents](#)

Sources of Liquidity

The Company's primary sources of liquidity are its cash and cash equivalents, with additional liquidity accessible from the capital markets, including under its ATM Facility. Such additional liquidity is subject to market conditions and other factors, including limitations that may apply to the Company under applicable SEC and Nasdaq regulations and challenges associated with raising sufficient capital to meet the Company's financing needs in light of the Company's current stock price and related constraints.

On October 3, 2022, the Company entered into an amendment to the Open Market Sale Agreement with Jefferies for the ATM Facility that enables it, subject to the applicable baby shelf rules, to offer and sell up to 15,661,000 shares of its common stock. At its discretion, the Company determines the timing and number of shares to be issued under the ATM Facility. During the nine months ended September 30, 2022 and in the subsequent period through October 3, 2022, the Company did not issue any shares under the ATM Facility. From October 3, 2022, through the date of this report, the Company has issued approximately 2.0 million shares of common stock under the ATM Facility for proceeds of \$0.1 million net of commissions and payments for other share issuance costs.

In the Follow-On Offering, on February 23, 2022, the Company issued 3,880,000 shares of its common stock, 3,880,000 Pre-Funded Warrants, and 7,760,000 Common Warrants. In the aggregate, the Company received net proceeds of \$10.0 million, after deducting approximately \$0.9 million of underwriting discounts and estimated other offering expenses.

Over the longer term and until the Company can generate cash flows sufficient to support its operating capital requirements, it expects to finance a portion of future cash needs through (i) cash on hand, (ii) commercialization activities, which may result in various types of revenue streams from (a) future product development agreements and technology licenses, including upfront and milestone payments, annual license fees, and royalties; and (b) product sales from its proprietary BioFactory production system; (iii) government or other third-party funding, (iv) public or private equity or debt financings, (v) the execution of an alternative strategic transaction pursuant to the board of directors' ongoing evaluation process or (vi) a combination of the foregoing. However, capital generated by commercialization activities, if any, is expected to be received over a period of time and near-term additional capital may not be available on reasonable terms, if at all.

The Company faces uncertainty regarding the adequacy of its liquidity and presently has limited access to additional financing. In the near term, additional capital may not be available on reasonable terms, if at all. For example, although the Company has access to the ATM Facility, based on the Company's public float, as of the date of the filing of its Annual Report on Form 10-K for the fiscal year ended December 31, 2021, the Company is only permitted to utilize a "shelf" registration statement for primary offerings, including the registration statement under which the Company's ATM Facility is operated, subject to Instruction I.B.6 to Form S-3, which is referred to as the "baby shelf" rules. For so long as the Company's public float is less than \$75,000,000, it may not sell more than the equivalent of one-third of its public float during any twelve consecutive months pursuant to the baby shelf rules.

While alternative public and private transaction structures may be available, these may require additional time and cost, may result in fixed payment obligations, may result in substantial dilution to existing stockholders, particularly in light of the Company's current stock price, may impose operational restrictions on the Company, may grant holders rights senior to those of the Company's shares of common stock, and may not be available on attractive terms. Accordingly, the Company continuously assesses market conditions and available financing alternatives. However, in light of the Company's current stock price, any potential financing transaction would result in substantial dilution to existing stockholders and there can be no assurance that such a transaction, if available, would be sufficient for the Company's financing needs.

Further, on September 22, 2022, the Company announced that its board of directors is evaluating a full range of potential strategic alternatives to maximize shareholder value, including financing alternatives, merger, reverse merger, other business combinations, sale of assets, licensing, or other transactions. Certain of these potential strategic transaction alternatives could result in substantial dilution to existing stockholders and have a material adverse effect on the market price of Calyxt's common stock.

Operating Capital Requirements

The Company has incurred losses since its inception and anticipates that it will continue to generate losses for the next several years. The Company's net loss was \$14.1 million for the nine months ended September 30, 2022, and it used \$15.6 million of cash for operating activities for the nine months ended September 30, 2022.

The Company's liquidity funds its non-discretionary cash requirements and its discretionary spending. The Company has contractual obligations related to recurring business operations, primarily related to lease payments for its headquarters and laboratory facilities. The Company's principal discretionary cash spending is for capital expenditures, short-term working capital payments, and professional and other transaction-related expenses incurred as the Company pursues additional financing and evaluates potential alternative transactions.

In light of the Company's current liquidity challenges, management has implemented cost reduction and other cash-focused measures to manage liquidity, including reduction of capital expenditures, headcount reductions, and renegotiation or termination of professional services agreements. To conserve cash, the Company has also strategically evaluated its arrangements with suppliers and service providers and has, in several instances, transitioned such relationships to lower cost alternative providers. If the Company is unable to raise additional capital in a sufficient amount or on acceptable terms or to consummate an alternative strategic transaction, the Company may have to implement increasingly stringent cost saving measures and significantly delay, scale back, or cease operations, in part or in full. If the Company decided to cease operations and dissolve and liquidate its assets, it is unclear to what extent the Company would be able to pay its existing obligations. In such a circumstance and in light of the Company's current liquidity position, it is unlikely that substantial resources would be available for distributions to stockholders.

[Table of Contents](#)

The Company's ability to continue as a going concern will depend on its ability to obtain additional public or private equity or debt financing, obtain government or private grants and other similar types of funding, or to consummate an alternative strategic transaction, attain further operating efficiencies, reduce or contain expenditures, and, ultimately, to generate revenue.

The Company believes that its cash, cash equivalents, and restricted cash as of September 30, 2022, considering the \$0.1 million of net proceeds realized from the ATM Facility as well as potential additional proceeds from the ATM Facility (up to the maximum amount permitted under the baby shelf rules), the legal settlement discussed in Note 10 to the consolidated financial statements, and taking into account additional efforts in reassessing its discretionary spending, including the implementation of increasingly stringent cost reduction and other cash focused measures to manage liquidity, is sufficient to fund its operations into the second quarter of 2023. The Company's management has concluded there is substantial doubt regarding its ability to continue as a going concern because it anticipates that it will need to raise additional capital to support this business plan for a period of 12 months or more from the date of this filing.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the ordinary course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of the uncertainties described above.

The Company's financing needs are subject to change depending on, among other things, the success of its product development efforts, the effective execution of its business model, its revenue, and its efforts to effectively manage expenses. The effects of the COVID-19 pandemic, other macroeconomic events, and potential geopolitical developments on the financial markets and broader economic uncertainties may make obtaining capital through equity or debt financings more challenging and may exacerbate the risk that such capital, if available, may not be available on terms acceptable to the Company.

[Table of Contents](#)

CONTRACTUAL OBLIGATIONS, COMMITMENTS, AND CONTINGENCIES

As of September 30, 2022, there were no material changes in the Company's commitments under contractual obligations as disclosed in its Annual Report.

CRITICAL ACCOUNTING ESTIMATES

The preceding discussion and analysis of the Company's financial condition and results of operations are based upon its consolidated financial statements and the related disclosures, which have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires the Company to make estimates, assumptions, and judgments that affect the reported amounts in its consolidated financial statements and accompanying notes. The Company bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The Company believes the policies discussed in Note 1, Basis of Presentation and Summary of Significant Accounting Policies, are the most critical to an understanding of its financial condition and results of operations because they require it to make estimates, assumptions, and judgments about matters that are inherently uncertain.

Valuation of Common Warrants

The Common Warrants have been classified as a liability in the Company's consolidated balance sheet because the warrants include a put option election available to the holder of a Common Warrant that is contingently exercisable if the Company enters into a Fundamental Transaction through a Change of Control Put. If the Change of Control Put is exercised by the holder of a Common Warrant, they may elect to receive either the consideration of the Fundamental Transaction or put the Common Warrant back to the Company in exchange for cash, based on terms and timing specified in the Common Warrant. If the put option is exercised, the Company is required to pay cash to the holder in an amount as determined by the Black Scholes pricing model, with assumptions determined in accordance with the terms of the Common Warrants. Those assumptions were as follows on September 30, 2022:

	As of September 30, 2022
Estimated fair value of Common Warrants	\$ 0.05
Assumptions:	
Risk-free interest rate	4.1%
Expected volatility	85.0%
Expected term to liquidation (in years)	4.9

A ten percent change in any of the assumptions would not have had a material effect on the Company's results of financial condition or results of operations.

As of September 30, 2022, there were no other significant changes to the Company's critical accounting policies disclosure reported in "Critical Accounting Estimates" in its Annual Report.

USE OF NON-GAAP FINANCIAL INFORMATION

To supplement the Company's financial results prepared in accordance with GAAP, it has prepared certain non-GAAP measures that include or exclude special items. These non-GAAP measures are not meant to be considered in isolation or as a substitute for financial information presented in accordance with GAAP and should be viewed as supplemental and in addition to the Company's financial information presented in accordance with GAAP. Investors are cautioned that there are material limitations associated with the use of non-GAAP financial measures. In addition, other companies may report similarly titled measures, but calculate them differently, which reduces their usefulness as a comparative measure. Management utilizes these non-GAAP metrics as performance measures in evaluating and making operational decisions regarding the Company's business.

The Company's 2021 non-GAAP financial measures reflect adjustments for certain commodity derivatives entered into in connection with its soybean product line. As a result of the completed wind-down of this product line, the Company held no commodity derivative contracts as of September 30, 2022.

Table of Contents

The Company presents adjusted net loss, a non-GAAP measure, and defines it as net loss adjusted for (i) unrealized gains and losses associated with commodity derivatives entered into to hedge the change in value of fixed price grain inventories and fixed price grain production agreements that should be recognized in the future when the underlying inventory is sold, (ii) gains and losses from commodity derivatives realized in prior periods but associated with inventory sold in the current period, (iii) net realizable value adjustments to inventories occurring in the period which otherwise would have been recognized in the future when the underlying inventory is sold, and (iv) net realizable value adjustments recognized in prior periods but associated with inventory sold in the current period, and excluding cash-based Section 16 officer transition expenses, the recapture of non-cash stock compensation associated with the departure of Section 16 officers, the gain upon the extinguishment of the PPP loan, and non-operating income (expenses). The foregoing adjustments are those necessary to present the underlying gross profit of the Company's soybean product line for the 2021 periods presented, together with the corresponding adjustments to the extent applicable to the corresponding 2022 periods presented.

The Company provides in the table below a reconciliation of net loss, which is the most directly comparable GAAP financial measure, to adjusted net loss. The Company provides adjusted net loss because it believes that this non-GAAP financial metric provides investors with useful supplemental information in light of the Company's business model in the periods presented, as the amounts being adjusted affect the period-to-period comparability of net losses and financial performance.

The table below presents a reconciliation of net loss to adjusted net loss:

In Thousands	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net loss (GAAP measure)	\$ (5,950)	\$ (7,307)	\$ (14,054)	\$ (22,142)
Non-GAAP adjustments:				
Commodity derivative impact, net	—	(2,073)	—	(2,520)
Net realizable value adjustment to inventories	—	(88)	—	(160)
Section 16 officer transition expenses	44	345	276	3,079
Recapture of non-cash stock compensation	—	—	—	(2,540)
Gain upon extinguishment of Payroll Protection Program loan	—	—	—	(1,528)
Non-operating income (expenses)	(300)	(6)	(5,083)	(11)
Adjusted net loss	\$ (6,206)	\$ (9,129)	\$ (18,861)	\$ (25,822)

The Company presents adjusted net loss per share, a non-GAAP measure, and defines it as net loss per share adjusted for (i) unrealized gains and losses associated with commodity derivatives entered into to hedge the change in value of fixed price grain inventories and fixed price grain production agreements that should be recognized in the future when the underlying inventory is sold, (ii) gains and losses from commodity derivatives realized in prior periods but associated with inventory sold in the current period, (iii) net realizable value adjustments to inventories occurring in the period which otherwise would have been recognized in the future when the underlying inventory is sold, and (iv) net realizable value adjustments recognized in prior periods but associated with inventory sold in the current period, and excluding cash-based Section 16 officer transition expenses, the recapture of non-cash stock compensation associated with the departure of Section 16 officers, the gain upon the extinguishment of the PPP loan, and non-operating income (expenses). The foregoing adjustments are those necessary to present the underlying gross profit of the Company's soybean product line for the 2021 periods presented, together with the corresponding adjustments to the extent applicable to the corresponding 2022 periods presented.

The Company provides in the table below a reconciliation of net loss per share, which is the most directly comparable GAAP financial measure, to adjusted net loss per share. The Company provides adjusted net loss per share because it believes that this non-GAAP financial metric provides investors with useful supplemental information in light of the Company's business model in the periods presented, as the amounts being adjusted affect the period-to-period comparability of net losses per share and financial performance.

The table below presents a reconciliation of net loss per share to adjusted net loss per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net loss per share (GAAP measure)	\$ (0.13)	\$ (0.20)	\$ (0.31)	\$ (0.60)
Non-GAAP adjustments:				
Commodity derivative impact, net	—	(0.06)	—	(0.07)
Net realizable value adjustment to inventories	—	—	—	—
Section 16 officer transition expenses	—	0.02	—	0.09
Recapture of non-cash stock compensation	—	—	—	(0.07)
Gain upon extinguishment of Payroll Protection Program loan	—	—	—	(0.04)
Non-operating income (expenses)	—	—	(0.11)	—
Adjusted net loss per share	\$ (0.13)	\$ (0.24)	\$ (0.42)	\$ (0.69)

[Table of Contents](#)

The Company presents adjusted EBITDA, a non-GAAP measure, and defines it as net loss adjusted for (i) unrealized gains and losses associated with commodity derivatives entered into to hedge the change in value of fixed price grain inventories and fixed price grain production agreements that should be recognized in the future when the underlying inventory is sold, (ii) gains and losses from commodity derivatives realized in prior periods but associated with inventory sold in the current period, (iii) net realizable value adjustments to inventories occurring in the period which otherwise would have been recognized in the future when the underlying inventory is sold, and (iv) net realizable value adjustments recognized in prior periods but associated with inventory sold in the current period, and excluding interest, net, depreciation and amortization expenses, operating lease right-of-use asset amortization expenses, non-cash stock compensation expenses including the recapture of non-cash stock compensation associated with the departure of Section 16 officers, cash-based Section 16 officer transition expenses, the gain upon the extinguishment of the PPP loan, and non-operating income (expenses). The foregoing adjustments are those necessary to present the underlying gross profit of the Company's soybean product line for the 2021 periods presented, together with the corresponding adjustments to the extent applicable to the corresponding 2022 periods presented.

The Company provides in the table below a reconciliation of net loss, which is the most directly comparable GAAP financial measure, to adjusted EBITDA. Because adjusted EBITDA excludes non-cash items and discrete or infrequently occurring items, the Company believes that adjusted EBITDA provides investors with useful supplemental information about the operational performance of its business and facilitates the period-to-period comparability of financial results where certain items may vary significantly independent of business performance.

The table below presents a reconciliation of net loss to adjusted EBITDA:

In Thousands	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net loss (GAAP measure)	\$ (5,950)	\$ (7,307)	\$ (14,054)	\$ (22,142)
Non-GAAP adjustments:				
Interest, net	47	356	80	1,059
Depreciation and amortization expenses	395	596	1,158	1,776
Operating lease right-of-use asset amortization expenses	119	—	354	—
Stock-based compensation expenses	1,035	1,236	2,890	865
Commodity derivative impact, net	—	(2,073)	—	(2,520)
Net realizable value adjustment to inventories	—	(88)	—	(160)
Section 16 officer transition expenses	44	345	276	3,079
Gain upon extinguishment of Payroll Protection Program loan	—	—	—	(1,528)
Non-operating income (expenses)	(300)	(6)	(5,083)	(11)
Adjusted EBITDA	\$ (4,610)	\$ (6,941)	\$ (14,379)	\$ (19,582)

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For quantitative and qualitative disclosures about market risk that affect us, see "Quantitative and Qualitative Disclosures About Market Risk" in Item 7A of Part II of the Annual Report. Except for the Calyxt Common Stock Price Risk described below, there have been no material changes in information that would have been provided in the context of Item 3 from the end of the preceding year until September 30, 2022. The Company also provides risk management disclosures in various places in this Quarterly Report on Form 10-Q, primarily in Note 3. Financial Instruments Measured at Fair Value and Concentrations of Credit Risk.

Calyxt Common Stock Price Risk

The Company is exposed to potential losses related to the price of its common stock. At each balance sheet date, the fair value of the Company's common stock warrants liability is remeasured using current fair value inputs, one of which is the price of its common stock.

During any period, if the price of the Company's common stock increases, there will likely be an increase in the fair value of the associated liability. These potential increases in fair value will result in losses in the Company's consolidated statements of operations from the change in fair value of the common stock warrant liability. Conversely, a decrease in the price of the Company's common stock during any period will likely result in decreases in the fair value of the associated liability. These potential decreases in fair value will result in gains in the Company's consolidated statements of operations from the change in the value of the common stock warrant liability. Given the significant current and historical volatility of the Company's common stock price, any changes period-over-period have and could in the future result in a significant change in the fair value of its common stock warrant liability and significantly impact its net loss during the period of change.

Item 4. Controls and Procedures

Management's Evaluation of Disclosure Controls and Procedures

Based on an evaluation under the supervision and with the participation of the Company's management, its principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, were effective as of September 30, 2022.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the nine months ended September 30, 2022, that have materially affected, or that are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is not a party to any material pending legal proceedings as of September 30, 2022. From time to time, the Company may be involved in legal proceedings arising in the ordinary course of business.

Item 1A. Risk Factors

Other than the supplemental risk factors provided below, there have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021.

Although the Company is exploring a range of strategic alternatives, there is no certainty that the Company will be able to execute on any transaction in the near term or at all or that such a transaction will enhance stockholder value, and any such transaction, if available and achieved, may be highly dilutive to the Company's stockholders.

As of September 30, 2022, the Company had cash, cash equivalents, and restricted cash of \$7.2 million. In addition to the Company's ongoing efforts to identify available financing opportunities, on September 22, 2022, the Company announced that its Board of Directors is evaluating a full range of potential strategic alternatives to maximize shareholder value, including financing alternatives, merger, reverse merger, other business combinations, sale of assets, licensing, or other transactions. Certain potential strategic transaction alternatives, if available and achieved, could result in substantial dilution to existing stockholders and have a material adverse effect on the market price of Calyxt's common stock.

In light of the Company's current stock price, there can be no assurance that any potential financing transaction or any alternative strategic transaction, if available, would be sufficient for the Company's financing needs. If the Company raises additional funds through the issuance of additional debt or equity securities, including as part of a strategic alternative, it could result in substantial dilution to its existing stockholders, increased fixed payment obligations, and any issued securities may have rights senior to those of the Company's shares of common stock. Any of these events could significantly harm the Company's business, financial condition, and prospects.

There can be no assurance that the Company's pursuit of financing or the Board of Directors' evaluation process will result in a transaction, or if any such a transaction is consummated, that it will successfully address the Company's current liquidity challenges or otherwise enhance stockholder value. If a strategic transaction is insufficient to address the Company's long-term financing needs, the Company will need to significantly delay or further scale back operations or potentially cease operations, in part or in full. If the Company decided to cease operations and dissolve and liquidate its assets, it is unclear to what extent the Company would be able to pay its obligations. In such a circumstance and in light of the Company's current liquidity position, it is unlikely that substantial resources would be available for distributions to stockholders.

The Company has engaged in cost reduction and other cash-focused measures, which may result in challenges in managing its business and executing on its business strategy.

In light of the Company's current liquidity challenges, management has implemented cost reduction and other cash-focused measures to manage liquidity, including reduction of capital expenditures, headcount reductions, and renegotiation or termination of professional services agreements. To conserve cash, the Company has also strategically evaluated its arrangements with suppliers and service providers and has, in several instances, transitioned such relationships to lower cost alternative providers.

Headcount reductions result in the loss of institutional knowledge and expertise and the reallocation and combination of certain roles and responsibilities across the Company, which could adversely affect the Company's operations. The Company will need to continue to implement and improve its managerial, operational, and financial systems, manage its facilities, and continue to retain qualified personnel. As a result, the Company's management may need to divert a disproportionate amount of its attention away from the Company's day-to-day strategic and operational activities and devote a substantial amount of time to managing these organizational changes. Further, possible additional cost reduction and cash-focused measures may yield unintended consequences, such as attrition beyond the Company's intended reduction in headcount and reduced employee morale. In addition, reductions in the size of the Company may result in employees who were not affected by the reductions in headcount seeking alternate employment.

In addition, cost reduction and cash-focused measures that the Company has undertaken may result in weaknesses in the Company's infrastructure and operations, an inability to effectively execute on customer acquisition and business development efforts, loss of business opportunities, reduced productivity among remaining employees, and challenges in complying with legal and regulatory requirements.

The negative events referred to above would have a material adverse impact on the Company's business, operations, reputation, and long-term viability. Moreover, negative publicity associated with such cost-reduction activities and the Company's evaluation of alternative strategic transactions, and the negative consequences should the Company be unable to raise additional capital or be unsuccessful in consummating an alternative transaction, could adversely affect the Company's relationships with its suppliers, service providers, customers and potential customers, employees, and other third parties, which in turn could further adversely affect its operations and financial condition.

[Table of Contents](#)

Although Collectis and its affiliates hold less than a majority of the Company's outstanding common stock, Collectis possesses certain rights that prevent other stockholders from influencing significant decisions.

As of November 3, 2022, Collectis holds 49.1% of the outstanding Common Stock of the Company. At present, through its stock ownership, together with its enumerated rights under the stockholders agreement, Collectis remains Calyxt's controlling stockholder. Pursuant to the stockholders' agreement between the Company and Collectis, Collectis continues to retain substantial rights with respect to the Company for so long as it beneficially owns at least 15 percent of the outstanding shares of the Company's common stock (Continuing Collectis Rights). Accordingly, Collectis will continue to exercise control with respect to the Continuing Collectis Rights even after Collectis' stock ownership is substantially reduced, whether through dilution or otherwise. Accordingly, while Collectis' stock ownership serves as a source of voting power, the full scope of Collectis' continuing rights relative to the Company is not directly proportional to its ownership interest in Calyxt's common stock.

The Continuing Collectis Rights include the right to nominate a number of designees for the Company's board of directors representing a majority of the directors, to designate the Chairman of the board of directors, and to have at least one designated director serve on each board committee. In addition, the Continuing Collectis Rights include information rights for Collectis, as well as approval rights over a significant number of key aspects of the Company's operations and management, including certain changes to Calyxt's constitutive documents, the making of any regular or special dividends, the commencement of any voluntary bankruptcy proceeding or any consent to any bankruptcy proceeding, any appointment to or removal from the board of directors, and the consummation of any public or private offering, merger, amalgamation or consolidation of Calyxt, the spinoff of a business of the Company, or any sale, conveyance, transfer or other disposition of Calyxt's assets. The Continuing Collectis Rights are incorporated into, and form a part of, the Company's certificate of incorporation and bylaws, which makes any amendment, repeal, or modification of such rights burdensome.

As of the date on which Collectis and its affiliates no longer beneficially own more than 50 percent of the outstanding shares of Common Stock of the Company:

- the Company's Board of Directors switched to a staggered board divided into three classes, with directors serving three-year terms;
- no director may be removed by the stockholders except for cause upon a majority vote of the stockholders;
- stockholder action may only be taken upon a majority vote of stockholders at a duly noticed stockholder meeting called in accordance with the Company's bylaws and may not be taken by written consent without a meeting;
- special stockholder meetings may be called only by a majority of the entire board of directors and not by the stockholders;
- the Company became governed by Section 203 of the Delaware General Corporation Law, which, subject to certain exceptions, prohibits a public Delaware corporation from engaging in a business combination (as defined in such section) with an "interested stockholder" (defined generally as any person who beneficially owns 15 percent or more of the outstanding voting stock of such corporation or any person affiliated with such person) for a period of three years following the time that such stockholder became an interested stockholder, unless certain conditions are satisfied; and
- specified provisions of the Company's Certificate of Incorporation and Bylaws, including those described in this risk factor, may not be repealed, amended, or modified unless such action is approved by a super-majority (66 2/3 percent) stockholder vote of all outstanding voting securities.

In addition, certain provisions of the Company's certificate of incorporation, bylaws, and other agreements may now make it more difficult for the Company's stockholders to influence its decisions or for a third-party to acquire control of the Company, or may discourage a third-party from attempting to acquire control of the Company, in each case, even if these actions were considered beneficial by many stockholders or might involve transactions in which the Company's stockholders might otherwise receive a premium for their shares of the Company's common stock. Further, these provisions could limit the price that investors might be willing to pay in the future for shares of the Company's common stock, possibly depressing the market price of its common stock. As a result, stockholders may be limited in their ability to obtain a premium for their shares. Such provisions may also make the Company less attractive to potential counterparties in connection with the Board of Directors' evaluation of strategic alternatives.

As a result of the foregoing rights, Collectis currently possesses the right to exert extensive influence over important operational decisions of the Company. The extent of Collectis' influence and the nature of its rights could prevent other stockholders from influencing, or seeking to influence, significant decisions of the Company.

Although the Company is no longer considered to be a "controlled company" under the Nasdaq's corporate governance rules, the Company is able to phase-in full compliance with applicable independence requirements.

A "controlled company" pursuant to the Nasdaq's corporate governance rules is a company of which more than 50% of the voting power is held by an individual, group, or another company. Because Collectis no longer holds more than 50% of the voting power of the Company, the Company is no longer considered to be a "controlled company." Pursuant to the controlled company exceptions, the Company's nominating and corporate governance committee and its compensation committee are not currently comprised solely of independent directors. The Company intends, subject to applicable phase-in requirements, to fully comply with the Nasdaq's corporate governance rules. As a result of the applicable phase-in requirements, until the nominating and corporate governance committee and its compensation committee become fully independent, stockholders will continue to not have the same protections afforded to stockholders of companies that have fully independent committees.

[Table of Contents](#)

If the Company is unable to maintain compliance with Nasdaq's listing requirements, its common stock may be delisted from The Nasdaq Capital Market, which could have a material adverse effect on the Company's financial condition and could make it more difficult for holders of the Company's common stock to sell their shares.

On October 4, 2022, the Company's application to list its common stock on The Nasdaq Capital Market (Nasdaq) was approved by Nasdaq. The Company's common stock was previously listed on The Nasdaq Global Market. The Company is therefore subject to the continued listing requirements of The Nasdaq Capital Market, including requirements with respect to the market value of publicly held shares, market value of listed shares, minimum bid price per share, and minimum stockholder's equity, among others, and requirements relating to board and committee independence. If the Company fails to satisfy one or more of these continued listing requirements, it may be delisted from The Nasdaq Capital Market.

Delisting from Nasdaq, or the possibility of such delisting, may adversely affect the Company's ability to raise additional financing through the public or private sale of equity securities, may significantly affect the ability of investors to trade the Company's securities, and may negatively affect the value and liquidity of the Company's common stock. Delisting, or the possibility of such delisting, also could have other negative results, including the potential loss of investor confidence or interest in business development opportunities.

At the Company's 2022 annual meeting of stockholders on June 1, 2022, the Company's stockholders approved an amendment to the Company's amended and restated certificate of incorporation to effect a reverse stock split of the Company's shares of common stock at a ratio not less than 2-to-1 and not greater than 10-to-1, with the exact ratio set within that range at the discretion of the Company's board of directors. However, there can be no assurance that the reverse stock split, if implemented, will increase the market price of the Company's common stock in proportion to the reduction in the number of shares of the Company's common stock outstanding before the reverse stock split or result in a permanent increase in the market price. In addition, it is possible that the reduced number of issued shares of common stock resulting from a reverse stock split could adversely affect the liquidity of the Company's common stock.

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

The Company did not repurchase any shares of stock or have any unregistered sales of equity securities during the nine months ended September 30, 2022.

Item 5. Other Information.

As previously disclosed, Collectis has guaranteed the lease agreement for the Company's headquarters. Collectis' guarantee of the Company's obligations under the lease will terminate at the end of the second consecutive calendar year in which the Company's tangible net worth exceeds \$300 million. The Company agreed to indemnify Collectis for any obligations incurred by Collectis under its guaranty of the obligations under the lease, effective upon Collectis' ownership falling to 50 percent or less of the Company's outstanding common stock. This indemnification obligation was triggered in October 2022.

Table of Contents

Item 6. Exhibits

(a) Index of Exhibits

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on September 1, 2017)
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 of the Company's Quarterly Report on Form 10-Q filed with the SEC on May 7, 2018)
10.1	Amendment No. 1 to Open Market Sale AgreementSM, dated October 3, 2022, by and between Calyxt, Inc. and Jefferies LLC (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on October 3, 2022)
10.2	Indemnification Agreement, dated November 10, 2017, between Calyxt Inc. and Collectis S.A. (incorporated by reference to the Company's Quarterly Report on Form 10-Q filed with the SEC on November 13, 2017)
31.1*	Certification of the Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) of the Exchange Act
31.2*	Certification of the Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) of the Exchange Act
32*	Certification of the Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	The cover page for the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2022, has been formatted in Inline XBRL

* Filed herewith

† Indicates management contract or compensatory plan.

SIGNATURE

Pursuant to the requirements of the Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on November 3, 2022.

CALYXT, INC.

By: /s/ Michael A. Carr

Name: Michael A. Carr

Title: President & Chief Executive Officer
(Principal Executive Officer)

By: /s/ William F. Koschak

Name: William F. Koschak

Title: Chief Financial Officer
(Principal Financial and Accounting Officer)

CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT, AS AMENDED

I, Michael A. Carr, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Calyxt, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2022

/s/ Michael A. Carr

Michael A. Carr
President and Chief Executive Officer

CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT, AS AMENDED

I, William F. Koschak, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Calyxt, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2022

/s/ William F. Koschak

William F. Koschak
Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Calyxt, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 3, 2022

/s/ Michael A. Carr

Michael A. Carr

President and Chief Executive Officer

/s/ William F. Koschak

William F. Koschak

Chief Financial Officer