UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2021

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: 001-39575

ONCORUS, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**47-3779757**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
50 Hampshire Street, Suite 401 Cambridge, Massachusetts	**02139**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (857) 320-6400

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 per share	**ONCR**	**The Nasdaq Stock Market LLC**

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

As of July 28, 2021, the registrant had 25,749,205 shares of common stock, $0.0001 par value per share, outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding our future results of operations or financial condition, business strategy and plans, and objectives of management for future operations, are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “hope,” “intend,” “may,” “might,” “objective,” “ongoing,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “will,” or “would” or the negative of these words or other similar terms or expressions. These forward-looking statements include, but are not limited to, statements concerning the following:

- the impact of the COVID-19 pandemic on our business and operations, results of operations and financial performance, including impacts on initiation, patient enrollment, development and operation of our preclinical studies and clinical trials and manufacturing efforts;
- the initiation, timing, progress and expected results of our preclinical studies, clinical trials and our research and development programs, including our ongoing Phase 1 clinical trial and the timing of initiation for future clinical trials for our lead product candidate, ONCR-177;
- our success in identifying and developing future potential candidates from our oncolytic HSV-1 platform, or oHSV Platform, and our synthetic viral RNA immunotherapy platform, or Synthetic vRNA Immunotherapy Platform;
- our ability to advance product candidates into, and successfully complete, clinical trials;
- the timing or likelihood of our ability to receive the required regulatory approvals and clearances to successfully market and sell our products in the United States and certain other countries;
- the commercialization of our product candidates, if approved;
- our expectations regarding the potential market size and the rate and degree of market acceptance for any product candidates that we develop;
- the potential benefits of strategic collaboration agreements and our ability to enter into strategic arrangements;
- the effects of competition with respect to ONCR-177 or any of our other current or future product candidates, as well as innovations by current and future competitors in our industry;
- our ability to fund our working capital requirements;
- our intellectual property position, including the scope of protection we are able to establish, maintain and enforce for intellectual property rights covering our product candidates;
- our financial performance and our ability to effectively manage our anticipated growth;
- our ability to obtain additional funding for our operations; and
- other risks and uncertainties, including those listed under Part II, Item 1A. Risk Factors in this report or under Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on March 10, 2021.

These forward-looking statements are based on our management’s current expectations, estimates, forecasts and projections about our business and the industry in which we operate, and management’s beliefs and assumptions and are not guarantees of future performance or development. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described under “Risk Factors” and elsewhere in this Quarterly Report and under similar captions in our periodic reports filed with the SEC from time to time. Moreover, we operate in a very competitive and rapidly changing environment, and new risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this report. While we believe that information provides a reasonable basis for these statements, that information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance, or events and circumstances reflected in the forward-looking statements will be achieved or occur. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this Quarterly Report on Form 10-Q to conform these statements to new information, actual results or changes in our expectations, except as required by law.

SUMMARY RISK FACTORS

A summary of risks that could materially and adversely affect our business, financial condition, operating results and prospects include the following:

- We have a limited operating history. We have incurred significant losses since our inception and anticipate that we will incur significant and increasing losses for the foreseeable future and we may never achieve or maintain profitability.
- We will require substantial additional financing to advance the development of our product candidates, which may not be available on acceptable terms, or at all. Failure to obtain this necessary capital could force us to delay, limit, reduce or terminate our product development programs, potential commercialization efforts or other operations.
- We have never generated any revenue from product sales and may never become profitable.
- Our product candidates are in early stages of development, are not approved for commercial sale and might never receive regulatory approval or become commercially viable.
- We currently have only one product candidate, ONCR-177, in clinical development. A failure of this product candidate in clinical development would adversely affect our business and may require us to discontinue development of other product candidates based on the same therapeutic approach.
- Public health crises such as pandemics, including the coronavirus disease, or COVID-19, or similar outbreaks could materially and adversely affect our business, including the conduct of preclinical studies and clinical trials and our manufacturing efforts.
- Preclinical and clinical development involve a lengthy and expensive process with an uncertain outcome, and delays can occur for a variety of reasons outside of our control.
- If we experience delays or difficulties in the enrollment of patients in clinical trials, our receipt of necessary regulatory approvals could be delayed or prevented.
- Serious adverse events, undesirable side effects or other unexpected properties of our current or future product candidates may be identified during development or after approval, which could halt their development or lead to the discontinuation of our clinical development programs, refusal by regulatory authorities to approve our product candidates or, if discovered following marketing approval, revocation of marketing authorizations or limitations on the use of our product candidates thereby limiting the commercial potential of such product candidate.
- We anticipate that many of our product candidates will be used in combination with third-party drugs, some of which may still be in development, and we have limited or no control over the supply, regulatory status or regulatory approval of such drugs.
- We may expend our limited resources to pursue a particular product candidate or indication and fail to capitalize on product candidates or indications that may be more profitable or for which there is a greater likelihood of success.
- We rely, and expect to continue to rely, on third parties to conduct, supervise, and monitor our preclinical studies and clinical trials. If those third parties do not perform satisfactorily, including failing to meet deadlines for the completion of such trials or failing to comply with regulatory requirements, we may be unable to obtain regulatory approval for our product candidates or any other product candidates that we may develop in the future.
- If the manufacturers upon which we rely fail to produce any product candidates in the volumes that we require on a timely basis, or fail to comply with stringent regulations applicable to biopharmaceutical manufacturers, we may face delays in the development and commercialization of, or be unable to meet demand for, any product candidates, which may have an adverse effect on our business.
- If we are unable to successfully commercialize any product candidate for which we receive regulatory approval, or experience significant delays in doing so, our business will be materially harmed.
- We face significant competition from other biopharmaceutical and biotechnology companies, academic institutions, government agencies, and other research organizations, which may result in others discovering, developing or commercializing products more quickly or marketing them more successfully than us. If their product candidates are shown to be safer or more effective than ours, our commercial opportunity may be reduced or eliminated.
- Even if any of our product candidates receive marketing approval, they may fail to achieve the degree of market acceptance by physicians, patients, hospitals, cancer treatment centers, third-party payors and others in the medical community necessary for commercial success. The revenues that we generate from their sales may be limited, and we may never become profitable.

- Negative developments in the field of immuno-oncology could damage public perception of our oHSV and Synthetic vRNA Immunotherapy Platforms and our product candidates, including ONCR-177, and negatively affect our business.
- If we are unable to obtain, maintain and protect our intellectual property rights for our technology and product candidates, or if our intellectual property rights are inadequate, our competitive position could be harmed.
- We are highly dependent on our key personnel, including our Chief Executive Officer, Chief Scientific Officer and Senior Vice President, Clinical Development. If we are not successful in attracting, motivating and retaining highly qualified personnel, we may not be able to successfully implement our business strategy.

Item 1. Financial Statements.

ONCORUS, INC.
Condensed Consolidated Balance Sheets
(in thousands, except for par value data)
(unaudited)

	JUNE 30, 2021	DECEMBER 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 159,920	$ 130,305
Prepaid expenses and other current assets	2,769	3,086
Total current assets	162,689	133,391
Property and equipment, net	9,412	4,173
Right-of-use asset	40,018	41,372
Restricted cash	2,877	2,877
Other assets	614	450
Total assets	$ 215,610	$ 182,263
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 1,959	$ 1,245
Accrued expenses	7,701	3,738
Lease liability - current portion	1,084	993
Other current liabilities	—	8
Total current liabilities	10,744	5,984
Lease liability - net of current portion	42,234	41,615
Total liabilities	52,978	47,599
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Preferred stock, $0.0001 par value; authorized — 10,000 shares at June 30, 2021 and December 31, 2020; issued and outstanding — no shares at June 30, 2021 and December 31, 2020	—	—
Common stock, $0.0001 par value; authorized — 100,000 shares at June 30, 2021 and December 31, 2020; issued and outstanding — 25,741 and 22,599 shares at June 30, 2021 and December 31, 2020, respectively	3	2
Additional paid-in capital	320,645	264,487
Accumulated deficit	(158,016)	(129,825)
Total stockholders' equity	162,632	134,664
Total liabilities and stockholders' equity	$ 215,610	$ 182,263

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

ONCORUS, INC.

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

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2021	2020	2021	2020
Operating expenses:				
Research and development	$ 10,660	$ 6,741	$ 19,107	$ 12,633
General and administrative	4,889	2,007	9,111	4,059
Total operating expenses	15,549	8,748	28,218	16,692
Loss from operations	(15,549)	(8,748)	(28,218)	(16,692)
Other income (expense):				
Change in fair value of Series B tranche rights	—	(625)	—	(625)
Other expense	—	(9)	—	(20)
Interest income	21	8	27	136
Total other income (expense), net	21	(626)	27	(509)
Net loss and comprehensive loss	$ (15,528)	$ (9,374)	$ (28,191)	$ (17,201)
Accretion of discount and dividends on redeemable convertible preferred stock	—	(2,725)	—	(5,450)
Net loss attributable to common stockholders	$ (15,528)	$ (12,099)	$ (28,191)	$ (22,651)
Net loss per share attributable to common stockholders—basic and diluted	$ (0.60)	$ (12.09)	$ (1.13)	$ (22.67)
Weighted-average number of common shares outstanding—basic and diluted	25,684	1,001	24,851	999

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

ONCORUS, INC.

Condensed Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders' Equity (Deficit)
(in thousands, except share amounts)
(unaudited)

	SERIES A-1 REDEEMABLE CONVERTIBLE PREFERRED STOCK		SERIES B REDEEMABLE CONVERTIBLE PREFERRED STOCK		COMMON STOCK				
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TOTAL STOCKHOLDERS' EQUITY (DEFICIT)
Balance at December 31, 2019	**76,499,992**	**$ 63,494**	**62,535,183**	**$ 53,138**	**988,700**	**$ —**	**$ —**	**$ (74,297)**	**$ (74,297)**
Series A-1 and Series B preferred stock dividends and accretion	—	1,570	—	1,155	—	—	(308)	(2,417)	(2,725)
Stock-based compensation expense	—	—	—	—	—	—	303	—	303
Vesting of restricted common stock	—	—	—	—	8,855	—	—	—	—
Exercise of options to purchase common stock	—	—	—	—	1,572	—	5	—	5
Net loss	—	—	—	—	—	—	—	(7,827)	(7,827)
Balance at March 31, 2020	**76,499,992**	**65,064**	**62,535,183**	**54,293**	**999,127**	**—**	**—**	**(84,541)**	**(84,541)**
Series A-1 and Series B preferred stock dividends and accretion	—	1,570	—	1,155	—	—	(316)	(2,409)	(2,725)
Stock-based compensation expense	—	—	—	—	—	—	316	—	316
Vesting of restricted common stock	—	—	—	—	5,161	—	—	—	—
Exercise of options to purchase common stock	—	—	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	(9,374)	(9,374)
Balance at June 30, 2020	**76,499,992**	**$ 66,634**	**62,535,183**	**$ 55,448**	**1,004,288**	**$ —**	**$ —**	**$ (96,324)**	**$ (96,324)**
Balance at December 31, 2020	**—**	**—**	**—**	**—**	**22,599,048**	**2**	**264,487**	**(129,825)**	**134,664**
Proceeds from issuance of common stock, net of issuance costs of $4,017	—	—	—	—	3,000,000	—	52,983	—	52,983
Stock-based compensation expense	—	—	—	—	—	—	1,172	—	1,172
Vesting of restricted common stock	—	—	—	—	5,171	—	—	—	—
Exercise of options to purchase common stock	—	—	—	—	22,470	—	98	—	98
Net loss	—	—	—	—	—	—	—	(12,663)	(12,663)
Balance at March 31, 2021	**—**	**—**	**—**	**—**	**25,626,689**	**3**	**318,740**	**(142,488)**	**176,255**
Stock-based compensation expense	—	—	—	—	—	—	1,656	—	1,656
Vesting of restricted common stock	—	—	—	—	5,170	—	—	—	—
Exercise of options to purchase common stock	—	—	—	—	109,213	—	249	—	249
Net loss	—	—	—	—	—	—	—	(15,528)	(15,528)
Balance at June 30, 2021	**—**	**$ —**	**—**	**$ —**	**25,741,072**	**$ 3**	**$ 320,645**	**$ (158,016)**	**$ 162,632**

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

ONCORUS, INC.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	SIX MONTHS ENDED JUNE 30,	
	2021	2020
Operating activities:		
Net loss	$ (28,191)	$ (17,201)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	817	628
Stock-based compensation	2,828	619
Change in fair value of Series B tranche rights	—	625
Changes in:		
Prepaid expenses and other assets	151	(933)
Operating lease right-of-use asset	1,354	229
Accounts payable	676	953
Accrued expenses and other current liabilities	116	41
Operating lease liability	711	(584)
Net cash used in operating activities	(21,538)	(15,623)
Investing activities		
Purchase of property and equipment	(2,177)	(747)
Net cash used in investing activities	(2,177)	(747)
Financing activities		
Proceeds from exercise of options to purchase common stock	347	5
Proceeds from issuance of common stock, net of issuance costs	52,983	—
Net cash provided by financing activities	53,330	5
Increase (decrease) in cash and cash equivalents	29,615	(16,365)
Cash, cash equivalents and restricted cash at beginning of period	133,182	45,286
Cash, cash equivalents and restricted cash at end of period	$ 162,797	$ 28,921
Supplemental disclosure of non-cash investing and financing activities		
Purchase of property and equipment in accrued expenses and accounts payable	$ 3,878	$ 179
Accretion of discount and dividends on preferred stock	$ —	$ 5,450

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

1. Nature of the Business and Liquidity

Oncorus, Inc. (the "Company") is a clinical stage biopharmaceutical company focused on developing next-generation viral immunotherapies to transform outcomes for cancer patients. Using its two platforms, the Company is developing a pipeline of intratumorally and intravenously administered product candidates designed to selectively attack and kill tumor cells.

The Company's operations to date have focused on organization and staffing, business planning, raising capital, acquiring and developing the Company's technology, establishing the Company's intellectual property portfolio, identifying potential product candidates and undertaking preclinical studies, commencing a clinical trial and manufacturing scale-up activities. The Company does not have any product candidates approved for sale and has not generated any revenue from product sales. The Company's product candidates are subject to long development cycles and the Company may be unsuccessful in its efforts to develop, obtain regulatory approval for or market its product candidates.

On September 25, 2020, the Company effected a 1-for-12.0874 reverse stock split of its issued and outstanding common stock and a proportional adjustment to the existing conversion ratios for the outstanding shares of Series A-1 redeemable convertible preferred stock ("Series A-1"), and the Series B redeemable convertible preferred stock ("Series B"). Accordingly, all share and per share amounts for all periods presented in the accompanying unaudited interim condensed consolidated financial statements and notes thereto have been retroactively adjusted, where applicable, to reflect the reverse stock split, including reclassification of par, additional paid-in capital and accumulated deficit amounts as a result of the split adjustment.

On October 6, 2020, the Company completed an initial public offering ("IPO"), in which the Company issued and sold 5,800,000 shares of its common stock at a public offering price of $15.00 per share. On October 14, 2020, the Company sold an additional 757,991 shares of common stock at $15.00 per share pursuant to the underwriters' partial exercise of their option to purchase additional shares of common stock. The total gross proceeds from the IPO were $98.4 million and the Company raised approximately $88.3 million in net proceeds after deducting underwriting discounts and commissions and offering expenses payable by the Company.

Upon the closing of the IPO, all of the outstanding shares of convertible preferred stock automatically converted into 14,951,554 shares of common stock at the applicable conversion ratio then in effect. Subsequent to the closing of the IPO, there were no shares of preferred stock outstanding.

In February 2021, the Company completed a follow-on public offering of its common stock in which it sold 3,000,000 shares at an offering price of $19.00 per share, resulting in gross proceeds of $57.0 million and net proceeds of $53.0 million, after deducting underwriting discounts and commissions and offering expenses payable by the Company.

The Company is subject to risks and uncertainties common to early-stage companies in the biotechnology industry, including, but not limited to, possible failure of preclinical studies or clinical trials, the need to obtain marketing approval for its product candidates, development by competitors of new technological innovations, dependence on key personnel, protection of proprietary technology, compliance with government regulations, the need to successfully commercialize and gain market acceptance of any of the Company's products that are approved and the ability to secure additional capital to fund operations. Product candidates currently under development will require significant additional research and development efforts, including extensive preclinical and clinical testing, and regulatory approval prior to commercialization. These efforts require significant amounts of additional capital, adequate personnel and infrastructure, and extensive compliance-reporting capabilities. Even if the Company's drug development efforts are successful, it is uncertain when, if ever, the Company will realize significant revenue from product sales. The Company expects to continue to incur losses from operations for the foreseeable future and additional capital will be required to fund future operations. The Company expects that its cash and cash equivalents as of June 30, 2021 will be sufficient to fund its operating expenses and capital expenditure requirements through at least the next 12 months from the date these financial statements were issued.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP"). Any reference in these notes to applicable guidance is meant to refer to authoritative United States generally accepted accounting principles as found in the Accounting Standards Codification ("ASC") and as amended by Accounting Standards Updates ("ASU") of the Financial Accounting Standards Board ("FASB").

In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements include all normal and recurring adjustments (which consist primarily of accruals and estimates that impact the financial statements) which are considered necessary to present fairly the Company's financial position as of June 30, 2021, its results of operations for the three and six months ended June 30, 2021 and 2020, its changes in redeemable preferred convertible preferred stock and stockholders' equity (deficit) for the three and six months ended June 30, 2021 and 2020 and its cash flows for the six months ended June 30, 2021 and 2020.

The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full year. These unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements as of and for the year ended December 31, 2020, and the notes thereto, which are included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on March 10, 2021. The condensed consolidated balance sheet data as of December 31, 2020 presented for comparative purposes was derived from the Company's audited consolidated financial statements but does not include all disclosures required by GAAP. The results for the three and six months ended June 30, 2021 are not necessarily indicative of the operating results to be expected for the full year or for any other subsequent interim period.

The Company's significant accounting policies are disclosed in the audited consolidated financial statements for the year ended December 31, 2020, included in the Annual Report on Form 10-K and, since that date, there have been no changes to the Company's significant accounting policies.

COVID-19 Pandemic

With the ongoing COVID-19 global pandemic, the Company has implemented business continuity plans designed to address and mitigate the impact of the COVID-19 pandemic on its employees and its business, including its preclinical studies and its ongoing clinical trial. The Company has taken measures to secure its research and development activities, while work in its laboratories and facilities has been re-organized to reduce risks of COVID-19 transmission. Given the global impact and the other risks and uncertainties associated with the pandemic, the Company's business, financial condition and results of operations could be materially adversely affected. The Company continues to closely monitor the COVID-19 pandemic and evolve its business continuity plans, clinical development plans and response strategy to mitigate any potential impact. As of the date of issuance of these financial statements, the Company is not aware of any specific event or circumstance that would require the Company to update its estimates, assumptions and judgments or revise the carrying value of its assets or liabilities. Actual results could differ from those estimates, and any such differences may be material to the Company's financial statements.

Going Concern

At each reporting period, the Company evaluates whether there are conditions or events that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued. The Company is required to make certain additional disclosures if it concludes substantial doubt exists and it is not alleviated by the Company's plans or when its plans alleviate substantial doubt about the Company's ability to continue as a going concern.

Principles of Consolidation

The accompanying unaudited interim condensed consolidated financial statements of the Company include the accounts of its wholly owned subsidiary, Oncorus Securities Corporation. All intercompany transactions have been eliminated in consolidation. The Company has one operating segment.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. On an ongoing basis, the Company's management evaluates its estimates, which include, but are not limited to, the estimated fair value of the Company's common stock and share-based awards utilized for stock-based compensation purposes, accrued expenses, and amounts of expenses during the reported period. The Company bases its estimates on historical experience and other market-specific or other relevant assumptions that it believes to be reasonable under the circumstances. Actual results may differ from those estimates or assumptions.

Deferred Offering Costs

The Company capitalizes certain legal, professional, accounting and other third-party fees that are directly associated with in-process equity issuances as deferred offering costs until such equity issuances are consummated. After consummation of the equity issuance, these costs are recorded as a reduction in the capitalized amount associated with the equity issuance.

Concentration of Credit Risk and of Significant Suppliers

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash and cash equivalents. The Company has all of its cash at one financial institution, that management believes to be of high credit quality, in amounts that exceed federally insured limits. Cash equivalents consist of money market funds that invest primarily in U.S. government-backed securities and treasuries.

The Company is dependent upon a third-party contract manufacturer and third-party contract research organizations for the performance of portions of its testing for pre-clinical and clinical studies. The Company believes that its relationships with these organizations are satisfactory, and that alternative suppliers of these services are available in the event of the loss of one or more of these suppliers.

Restricted Cash

The Company maintains a balance in a segregated bank account in connection with a letter of credit for the benefit of the landlord in connection with an operating lease. As of June 30, 2021, restricted cash consisted of $2.9 million held for the benefit of the landlord. This amount has been classified as part of non-current assets on the Company's unaudited interim condensed consolidated balance sheets.

The Company includes its restricted cash balance in the cash, cash equivalents and restricted cash reconciliation of operating, investing, and financing activities in the unaudited interim condensed consolidated statements of cash flows. The following table provides a reconciliation of cash, cash equivalents and restricted cash in the unaudited interim condensed consolidated balance sheets that sum to the total of the same such amounts shown in the unaudited interim condensed consolidated statements of cash flows (in thousands):

	June 30,	
	2021	2020
	(in thousands)	
Cash and cash equivalents	$ 159,920	$ 28,921
Restricted cash	2,877	—
Total cash, cash equivalents and restricted cash shown in the unaudited interim consolidated statements of cash flows	$ 162,797	$ 28,921

Fair Value Measurements

Certain assets and liabilities of the Company are carried at fair value under GAAP. Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable and the last is considered unobservable:

Level 1—Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2—Valuations based on quoted prices for similar assets or liabilities in markets that are not active or for which all significant inputs are observable, either directly or indirectly, such as quoted market prices, interest rates, and yield curves.

Level 3—Valuations that require inputs that reflect the Company’s own assumptions that are both significant to the fair value measurement and unobservable.

To the extent a valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair values requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized as Level 3. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The Company’s cash and cash equivalents, classified within Level 1, are valued using net asset value per share for the money market funds.

The tranche rights granted to the Series B stockholders were classified within Level 3 of the fair value hierarchy because they were valued using significant inputs not observable in the market. The valuation of the tranche rights used assumptions the Company believed would be made by a market participant. The Company assessed these estimates on an ongoing basis as additional data impacting the assumptions was obtained. Refer to Note 6 for additional information regarding the valuation of the tranche rights.

The Company believes that the carrying amounts of prepaid expenses, other current assets, accounts payable, and accrued expenses approximate their fair value due to the short-term nature of those instruments.

Operating Leases

During the quarter ended December 31, 2020, the Company early adopted ASC Topic 842, "Leases" ("ASC 842") using the revised modified retrospective approach as of January 1, 2020. The unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2020 have been retroactively adjusted to reflect the adoption of ASC 842, including retroactive adjustments to the unaudited interim condensed consolidated statement of cash flows and certain additional footnote disclosures as included herein. The adoption of ASC 842 had no material impact to the Company's unaudited condensed consolidated statement of operations and comprehensive loss for the three and six months ended June 30, 2020.

At the inception of an arrangement, the Company determines whether the arrangement is or contains a lease based on specific facts and circumstances, the existence of an identified asset(s), if any, and the Company's control over the use of the identified asset(s), if applicable. The lease liability is measured at the present value of future lease payments, discounted using the discount rate as of the lease commencement date. The interest rate implicit in lease contracts is typically not readily determinable. As such, the Company utilizes the incremental borrowing rate, which is the rate incurred to borrow, on a collateralized basis over a similar term, an amount equal to the lease payments in a similar economic environment. The Company recognizes a corresponding lease right of use ("ROU") asset, initially measured as the amount of lease liability, adjusted for any initial lease costs or lease payments made before or at the commencement of the lease, and reduced by any lease incentives.

The Company's leases consist of only operating leases. Operating leases are recognized on the balance sheet as ROU lease assets, lease liabilities current and lease liabilities non-current. Fixed rents are included in the calculation of the lease balances while certain variable costs paid for certain operating and pass-through costs are excluded. Lease expense is recognized over the expected term on a straight-line basis.

Recently Issued Accounting Pronouncements

There have been no recently issued accounting pronouncements other than those described in the Company's audited financial statements as of and for the year ended December 31, 2020, and the notes thereto, which are included in the 2020 Annual Report on Form 10-K filed with the SEC on March 10, 2021.

3. Fair Value Measurements

The following table presents information about the Company's financial assets and liabilities measured at fair value on a recurring basis (in thousands):

	FAIR VALUE MEASUREMENTS AS OF JUNE 30, 2021			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets:				
Money market funds (included in cash and cash equivalents)	$ 158,066	$ —	$ —	$ 158,066
	$ 158,066	$ —	$ —	$ 158,066

	FAIR VALUE MEASUREMENTS AS OF DECEMBER 31, 2020			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets:				
Money market funds (included in cash and cash equivalents)	$ 126,056	$ —	$ —	$ 126,056
	$ 126,056	$ —	$ —	$ 126,056

4. Leases

The Company has an operating lease in Cambridge, Massachusetts for its corporate headquarters. The lease will expire in January 2024 and includes an optional extension for an additional 3 year period.

The Company also has an operating lease for manufacturing and laboratory space in Andover, Massachusetts that expires in December 2036. The Company has two options to extend the term of the lease for a period of 10 years each. As of June 30, 2021, the Company had not exercised its options to extend the lease term for either lease. The Company agreed to provide the landlord with a $2.9 million letter of credit as support for its obligations under the Andover lease. The lease provides a lease incentive in the form of reimbursable leasehold improvements of approximately $13.2 million. As construction related to leasehold improvements is performed over the life of the lease, the right-of-use asset and lease liability will be adjusted on a prospective basis to reflect any payments relating to the lease incentive. As of June 30, 2021, the Company has capitalized $4.6 million of leasehold improvement costs of which none have been reimbursed by the lease incentive. The lease payments include fixed base rent payments and variable rents for certain shared facility operating and other costs.

During the three and six months ended June 30, 2021 and 2020, the Company recognized total rent expense of $1.4 million, $0.3 million, $2.8 million, and $0.5 million, respectively, related to the leases described above. The amount of variable rent expense and rent for short-term leases for the three and six months ended June 30, 2021 and 2020 was $0.5 million, $0.1 million, $0.8 million, and $0.3 million, respectively.

Other supplemental information related to leases was as follows:

	SIX MONTHS ENDED JUNE 30,	
	2021	2020
Weighted average remaining lease term	14.0 years	3.6 years
Weighted average discount rate	8.5%	12.0%
Cash paid for amounts included in the measurement of lease liabilities (in thousands)	$762	$740

Maturities of operating lease liabilities were as follows as of June 30, 2021 (in thousands):

Year	Amount
2021	$ 1,388
2022	5,316
2023	5,686
2024	4,240
2025	4,317
Thereafter	56,956
Total lease payments	77,903
Less imputed interest	(34,585)
Total lease liabilities	$ 43,318
Current portion	1,084
Long-term portion	42,234

5. Accrued Expenses

At June 30, 2021 and December 31, 2020, accrued expenses consisted of the following (in thousands):

	JUNE 30, 2021	DECEMBER 31, 2020
Accrued research and development costs	$ 1,674	$ 1,369
Accrued leasehold improvement costs	3,840	—
Accrued compensation	1,227	1,661
Accrued professional fees	735	568
Miscellaneous accrued expenses	225	140
Total accrued expenses	$ 7,701	$ 3,738

6. Series B Tranche Rights

Included in the terms of the purchase agreement for the Series B ("Series B Purchase Agreement") entered into in August 2019 were Series B tranche rights ("Series B Tranche Rights") granted to the purchasers of the Series B.

The Series B Tranche Rights provided the holders with the right to purchase additional shares of Series B, in a second tranche, upon either the achievement by the Company of certain clinical development milestones for the Company's primary clinical candidate, as set forth in the Series B Purchase Agreement, or upon the election of certain holders of the Series B prior to August 5, 2021. In the second tranche, the Company had the ability to sell up to 41,690,117 shares of Series B at $0.8597 per share. The Company reached the clinical development milestones set forth in the Series B Purchase Agreement in September 2020 and the Company sold 41,690,117 shares of Series B at $0.8597 per share, resulting in total gross proceeds to the Company of $35.8 million.

At the time of issuance, the Series B Tranche Rights met the definition of a freestanding financial instrument, as the Series B Tranche Rights were both legally detachable and separately exercisable from the Series B. In addition, the Company determined at the time of issuance that the Series B Tranche Rights met the definition of a liability (or in some circumstances, an asset) because the Series B Tranche Rights (i) embodied an obligation to repurchase the Company's equity shares and (ii) may have required the Company to settle the obligation by transferring assets. As a result, upon issuance, the respective Series B Tranche Rights were initially recorded at fair value and were subsequently re-measured at the end of each reporting period until settlement. Changes in the fair value were recognized as a component of other income (expense) in the consolidated statements of operations and comprehensive loss.

At December 31, 2019 and at the end of each reporting period prior to settlement in September 2020, the estimated fair value of the Series B Tranche Rights was determined using a probability weighted present value model that considered the probability of triggering the Series B Tranche Rights through achievement of the clinical development milestones specified in the Series B Purchase Agreement. The Company converted the future values to their present values using a discount rate it considered to be appropriate for probability adjusted cash flows. The estimates were based, in part, on subjective assumptions. Significant assumptions for the Series B Tranche Rights valuation at December 31, 2019 and June 30, 2020 included an 85% and 90% probability of achieving the clinical development milestones, respectively, and a discount rate of 1.9% and 0.2%, respectively.

A rollforward of the Series B Tranche Rights liability for the six months ended June 30, 2020 is as follows (in thousands):

	SERIES B TRANCHE RIGHTS
Balance at December 31, 2019	$ 1,876
Change in fair value	625
Balance at June 30, 2020	$ 2,501

7. Redeemable Convertible Preferred Stock

Upon the closing of the IPO on October 6, 2020, all of the outstanding shares of Series A-1 and Series B automatically converted into an aggregate of 14,951,554 shares of common stock at the applicable conversion ratio then in effect. Subsequent to the closing of the IPO, there were no shares of preferred stock outstanding. In connection with the closing of the IPO, the Company changed its authorized capital to include 10,000,000 shares of undesignated preferred stock with a par value of $0.0001 per share.

Issuance of Series B Redeemable Convertible Preferred Stock

In August 2019, the Company authorized and agreed to sell 92,477,021 shares of Series B in two tranches. The first tranche closed on dates between August 5, 2019 and August 27, 2019. On those dates, the Company sold a total of 55,486,215 shares of Series B at $0.8597 per share, for gross proceeds to the Company of $47.7 million. In November 2019, the Company authorized and agreed to sell 11,748,279 additional shares of its Series B to new investors on the same terms and conditions as the previous sale of Series B. The first tranche of this sale occurred on November 27, 2019, in which the Company sold 7,048,968 shares of Series B for gross proceeds of $6.1 million. The Company paid $0.4 million of issuance costs related to these sales.

In September 2020, the Company achieved the second tranche milestones related to the clinical development of its lead product candidate, ONCR-177. Upon achievement of the milestones, the Series B investors became obligated to purchase additional shares of Series B in a second tranche closing and the Company issued an aggregate of 41,690,117 shares of Series B at $0.8597 per share, for gross proceeds to the Company of $35.8 million.

A description of the rights and privileges of the Series B and Series A-1 prior to their conversion to common stock upon the IPO in October 2020 can be found in the Company's Annual Report filed on Form 10-K with the SEC on March 10, 2021.

8. Common Stock

Each share of common stock is entitled to one vote. The holders of shares of common stock are entitled to receive dividends, if and when declared by the Board of Directors. Prior to the IPO, the voting, dividend, and liquidation rights of the holders of common stock were subject to, and qualified by, the rights, powers, and preferences of the holders of Series B and Series A-1.

Upon the closing of the IPO, Company changed its authorized capital stock to include 100,000,000 shares designated as common stock with a par value of $0.0001 per share.

Restricted Stock

The Company issued restricted stock to its founders and certain officers of the Company. In general, the shares of restricted stock vest over a four-year period, with 25% of the shares vesting after one year, followed by monthly vesting over the remaining three years. A summary of non-vested restricted stock during the six months ended June 30, 2021 is as follows:

	AMOUNT	WEIGHTED-AVERAGE GRANT DATE FAIR VALUE
Balance at December 31, 2020	17,234	$ 1.57
Repurchases	—	—
Issuances	—	—
Vested	(10,341)	1.57
Balance at June 30, 2021	6,893	$ 1.57

Common Stock Warrants

The Company issued warrants to purchase common stock (the "Common Stock Warrants") in connection with a preferred stock financing in March 2016. The Common Stock Warrants allow for the holders to purchase 71,544 shares of common stock at $1.21 per share. As of June 30, 2021, all of the Common Stock Warrants were fully exercisable. The Common Stock Warrants expire in 2031.

Reserved Shares

The Company had reserved shares of common stock for the conversion or exercise of the following securities:

	JUNE 30, 2021	DECEMBER 31, 2020
Exercise of Common Stock Warrants	71,544	71,544
Exercise of options to purchase common stock	3,636,492	2,790,746
Vesting of restricted stock	6,893	17,234
Shares available for issuance under the 2020 Plan	2,277,423	2,123,440
Total	5,992,352	5,002,964

9. Equity Incentive Plan

The Company adopted the 2016 Equity Incentive Plan, as amended, (the "2016 Plan") on March 31, 2016. The 2016 Plan provided for the granting of stock options, restricted stock awards, restricted stock units, stock appreciation rights and other stock awards to employees, directors and non-employees. All option awards were granted with an exercise price equal to or greater than the market price of the Company's stock at the date of grant. Option awards generally vest over three to four years. Certain option awards provide for accelerated vesting if there is a change in control as defined in the 2016 Plan. The provisions of the 2016 Plan allow for early exercises for options that have not yet vested. Early exercises have historically been for a de minimis number of shares.

On September 23, 2020, the Company adopted the 2020 Equity Incentive Plan ("the 2020 Plan"), which became effective upon the execution of the underwriting agreement related to the IPO and serves as the successor to the 2016 Plan. The 2020 Plan authorizes the award of stock options, restricted stock awards, stock appreciation rights, restricted stock units, cash awards, performance awards and

stock bonus awards. The number of shares reserved for issuance under the 2020 Plan will increase automatically on January 1 of each fiscal year, starting on January 1, 2021 and ending on and including January 1, 2030, by the number of shares equal to 5% of the aggregate number of outstanding shares of common stock as of the immediately preceding December 31, or a lesser number of shares as may be determined by the board of directors (or an authorized committee thereof).

At June 30, 2021, there were 2,277,423 shares of common stock available for issuance under the 2020 Plan. On January 1, 2021, the number of shares reserved for issuance under the 2020 Plan automatically increased by 1,130,896 shares of common stock.

On September 23, 2020, the Company adopted the 2020 Employee Stock Purchase Plan, or the ESPP, which became effective upon the execution of the underwriting agreement related to the IPO. The Company initially reserved 280,000 shares of common stock for sale under the ESPP. The aggregate number of shares reserved for sale under the ESPP will increase automatically on January 1st of each fiscal year starting on January 1, 2021 and ending on and including January 1, 2030, by the number of shares equal to the lesser of (a) 1% of the total number of shares of common stock outstanding on the last day of the fiscal year prior to the date of such automatic increase and (b) 560,000 shares, provided that prior to the date of any such increase, the board of directors may determine a lesser number of shares for such increase. In December 2020, the board of directors determined that there would be no automatic increase in the number of shares of common stock reserved under the ESPP on January 1, 2021. As of June 30, 2021 the Company had not commenced any offering periods under the ESPP.

Total stock-based compensation (including both stock option awards and restricted stock awards) was classified as follows on the unaudited interim condensed consolidated statements of operations:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2021	2020	2021	2020
	(in thousands)			
General and administrative	$ 1,029	$ 170	$ 1,768	$ 340
Research and development	627	146	1,060	279
Total stock-based compensation	$ 1,656	$ 316	$ 2,828	$ 619

Total stock-based compensation by award type was as follows:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2021	2020	2021	2020
	(in thousands)			
Restricted stock	$ 8	$ 9	$ 16	$ 17
Stock options	1,648	307	2,812	602
Total stock-based compensation	$ 1,656	$ 316	$ 2,828	$ 619

In December 2020, the Company granted an employee an option to purchase 113,000 shares of the Company’s common stock having an exercise price per share equal to the fair value of the Company’s common stock on the date of grant. This grant is included in the outstanding options in the summary table below. The option grant includes three separate tranches (each representing 33.33% of the total grant) that will each vest four years from the date of grant and are subject to accelerated vesting in the event that the Company achieves certain defined milestones related to the Company’s manufacturing efforts. As of June 30, 2021, the Company determined that the requisite service period of the award is four years and recorded $0.3 million of stock-based compensation expense for the six months ended June 30, 2021. Accelerated vesting was not considered to be probable at June 30, 2021.

A summary of option activity for the six months ended June 30, 2021 is presented below:

	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED-AVERAGE REMAINING CONTRACTUAL TERM (YEARS)	AGGREGATE INTRINSIC VALUE (IN THOUSANDS)
Outstanding at December 31, 2020	2,790,746	$ 8.13		
Granted	1,023,109	$ 16.32		
Exercised	(131,167)	$ 2.62		
Canceled, expired or forfeited	(46,196)	$ 11.22		
Outstanding at June 30, 2021	3,636,492	$ 10.60	8.61	$ 19,157
Vested and expected to vest at June 30, 2021	3,636,492	$ 10.60	8.61	$ 19,157
Exercisable at June 30, 2021	1,068,798	$ 3.29	7.37	$ 11,283

The weighted average grant date fair value per share of options granted to employees, directors and non-employee consultants during the six months ended June 30, 2021 and 2020 was $11.69 and $4.86, respectively. The total intrinsic value of options exercised was $1.7 million and $0.01 million for the six months ended June 30, 2021 and 2020, respectively. Total unrecognized stock-based compensation expense related to options amounted to $22.3 million at June 30, 2021 and is expected to be recognized over a weighted-average period of 3.3 years.

The total fair value of restricted shares vested was $0.02 million during each of the six months ended June 30, 2021 and 2020.

10. Commitments and Contingencies

The Company is not currently party to any material legal proceedings. At each reporting date, the Company evaluates whether or not a potential loss amount or a potential range of loss is probable and reasonably estimable under the provisions of the authoritative guidance that addresses accounting for contingencies. The Company expenses costs related to such legal proceedings as incurred.

11. Net Loss Per Share

The following securities that could potentially dilute basic net loss per share in the future were not included in the computation of diluted net loss per share for the periods presented, because to do so would have been antidilutive:

	SIX MONTHS ENDED JUNE 30,	
	2021	2020
Series A-1	—	6,328,894
Series B	—	5,173,569
Outstanding stock options	3,636,492	2,135,884
Restricted stock	6,893	27,576
Common stock warrants	71,544	71,544
Total	3,714,929	13,737,467

12. Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through the date on which these financial statements were issued. Subsequent to the issuance of the financial statements, there were no events that occurred that required disclosure in, or revision to, the financial statements.

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

You should read the following discussion of our financial condition and results of operations in conjunction with our unaudited interim condensed consolidated financial statements and the related notes and other financial information included elsewhere in this Quarterly Report on Form 10-Q. In addition to historical financial information, this discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties, such as statements of our plans, objectives, expectations, intentions and belief. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in the section titled "Risk Factors" under Part II, Item 1A below and under Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on March 10, 2021. These forward-looking statements may include, but are not limited to, statements regarding our future results of operations and financial position, the impact of the COVID-19 pandemic, business strategy, market size, potential growth opportunities, preclinical and clinical development activities, efficacy and safety profile of our product candidates, use of net proceeds from our offerings, our ability to maintain and recognize the benefits of certain designations received by product candidates, the timing and results of preclinical studies and clinical trials, commercial collaborations with third parties and the receipt and timing of potential regulatory designations, approvals and commercialization of product candidates. The words "believe," "may," "will," "potentially," "estimate," "continue," "anticipate," "predict," "target," "intend," "could," "would," "should," "project," "plan," "expect," and similar expressions that convey uncertainty of future events or outcomes are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

These statements are based upon information available to us as of the date of this Quarterly Report on Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely upon these statements.

Introduction

Our Management's Discussion and Analysis of Financial Condition and Results of Operations, or MD&A, is provided in addition to the accompanying unaudited interim condensed consolidated financial statements and notes to assist readers in understanding our results of operations, financial condition, and cash flows. MD&A is organized as follows:

Overview - A discussion of our business and overall analysis of financial and other highlights in order to provide context for the remainder of MD&A.

Results of Operations - An analysis of our financial results comparing the three and six months ended June 30, 2021 to the three and six months ended June 30, 2020.

Liquidity and Capital Resources - An analysis of changes in our unaudited interim condensed consolidated balance sheets and cash flows, and discussion of our financial condition and potential sources of liquidity.

Critical Accounting Policies and Significant Judgments and Estimates - A discussion of critical accounting policies and those that require us to make subjective estimates and judgments.

Overview

We are a biopharmaceutical company focused on developing next-generation viral immunotherapies to transform outcomes for cancer patients. Using our two distinct proprietary platforms, we are developing a pipeline of intratumorally and intravenously administered product candidates designed to selectively attack and kill tumor cells and deliver transgenes to stimulate multiple arms of the immune system against tumors. Our lead product candidate, ONCR-177, is an intratumorally administered viral immunotherapy based on our oncolytic HSV-1 platform, referred to as our oHSV Platform, which leverages the Herpes Simplex Virus-1, or HSV-1, a virus which has been clinically proven to effectively treat certain cancers. Utilizing this proprietary platform, we are engineering our product candidates, such as ONCR-177, to carry greater numbers of immunostimulatory transgenes than viral immunotherapies that are either currently approved or in clinical development. These transgenes are designed to drive strong systemic anti-tumor immunity to elicit tumor responses at injected and distant non-injected tumor sites, or abscopal activity. In addition, viruses from our oHSV Platform maintain full viral replication competency in tumors and are designed to be selectively attenuated in normal tissues. We believe this unique combination of features allows us to break the safety versus potency trade-off that has generally limited the viral immunotherapy field to date. In June 2020, we initiated a Phase 1 clinical trial of ONCR-177 in several different tumor types. We are also developing a broad pipeline of product candidates that leverages our second platform, which we refer to as our Synthetic viral RNA Immunotherapy Platform, to enable repeat intravenous administration of viral immunotherapies in order to treat cancers that are less amenable to intratumoral injection due to safety and feasibility reasons, such as cancers of the lung.

Since inception, our operations have focused on organizing and staffing our company, business planning, raising capital, acquiring and developing our technology, establishing our intellectual property portfolio, identifying potential product candidates and undertaking preclinical studies, commencing a clinical trial and manufacturing scale-up activities. We do not have any products approved for sale and have not generated any revenue from product sales. We will not generate revenue from product sales unless and until we successfully complete clinical development and obtain regulatory approval for our product candidates. In addition, if we obtain regulatory approval for our product candidates and do not enter into a third-party commercialization partnership, we expect to incur significant expenses related to developing our commercialization capability to support product sales, marketing, manufacturing and distribution activities.

We have funded our operations primarily through the sale of redeemable convertible preferred stock, including Series A-1 redeemable convertible preferred stock, or Series A-1, and Series B redeemable convertible preferred stock, or Series B, the initial public offering, or IPO, of our common stock and a follow-on public offering, or the Follow-on Offering, of our common stock. In 2019, we conducted a Series B financing, with the funding occurring in two tranches. We closed the first tranche of the Series B financing in August 2019 and November 2019, raising $53.8 million of gross proceeds. In September 2020, we achieved the clinical development milestones that triggered the second and final tranche of the Series B financing, and as a result, we received an additional $35.8 million of gross proceeds. In October 2020, we completed our IPO, in which we issued an aggregate of 6,557,991 shares of common stock for aggregate net proceeds of $88.3 million, after deducting underwriting discounts and commissions and offering expenses payable by us. Our shares of common stock began trading on the Nasdaq Global Market under the ticker symbol “ONCR” on October 2, 2020. Upon closing of our IPO, all outstanding shares of Series A-1 and Series B converted into an aggregate of 14,951,554 shares of common stock. In February 2021, we completed the Follow-on Offering, in which we issued 3,000,000 shares of common stock for aggregate net proceeds of approximately $53.0 million, after deducting underwriting discounts and commissions and offering expenses of $4.0 million.

From inception through June 30, 2021, we have raised an aggregate of $306.3 million of gross proceeds through the issuance of redeemable convertible preferred stock, the IPO and the Follow-on Offering.

Since inception, we have incurred significant operating losses. Our net losses were $28.2 million and $17.2 million for the six months ended June 30, 2021 and 2020, respectively. As of June 30, 2021, we had an accumulated deficit of $158.0 million. We expect to continue to incur significant and increasing expenses and operating losses for the foreseeable future, as we advance our current and future product candidates through preclinical and clinical development, manufacture drug product and drug supply, seek regulatory approval for our current and future product candidates, maintain and expand our intellectual property portfolio, hire additional research and development and business personnel and operate as a public company.

We will need substantial additional funding to support our continuing operations and pursue our growth strategy. Until we can generate significant revenue from product sales, if ever, we expect to finance our operations through a combination of public or private equity offerings and debt financings or other sources, such as potential collaboration agreements, strategic alliances and licensing arrangements. We may be unable to raise additional funds or enter into such other agreements or arrangements when needed on acceptable terms, or at all. Our failure to raise capital or enter into such agreements as, and when needed, could have a material adverse effect on our business, results of operations and financial condition.

As of June 30, 2021, we had cash and cash equivalents of $159.9 million. We believe that our existing cash and cash equivalents will enable us to fund our operating expenses and capital expenditure requirements into late 2023.

Recent Developments

In May 2021, we announced the nomination of our first Synthetic viral RNA, or vRNA, immunotherapy clinical candidates, ONCR-021 and ONCR-788. Our intravenous, or IV, administered approach involves encapsulating the genomes of RNA viruses known to kill cancer cells in a lipid nanoparticle, or LNP, creating a Synthetic vRNA immunotherapy. ONCR-021 encodes an optimized strain of Coxsackievirus A21, or CVA21, and ONCR-788 encodes for a modified version of the Seneca Valley Virus, or SVV. Both CVA21 and SVV have extensive clinical experience and favorable safety profiles when administered IV. We believe our Synthetic vRNA approach holds the potential for IV administration and avoids the challenge of neutralizing antibodies seen in previous approaches with IV-administered oncolytic viruses. We plan to investigate our novel Synthetic vRNA immunotherapies in multiple histologies including cancers of the lung both as monotherapy and in combination with immune checkpoint inhibitors and other cancer treatments. We plan to file an investigational new drug, or IND, application for ONCR-021 in the first half of 2023 to enable clinical development for non-small cell lung cancer and other cancers such as hepatocellular carcinoma, clear cell renal cell carcinoma and melanoma, both as a single agent and in combination with immune checkpoint inhibitors. Following the IND filing for ONCR-021, we plan to file an IND for ONCR-788 to enable its development in small cell lung cancer, neuroendocrine prostate and other neuroendocrine cancers, both as a single agent and in combination with immune checkpoint inhibitors and other cancer treatments. In

the process of developing ONCR-021 and ONCR-788, we also developed a proprietary LNP platform for delivery of large nucleic acids, with efficient endosomal escape. We plan to manufacture ONCR-021 and ONCR-788 at our 88,000 square foot manufacturing facility in Andover, Massachusetts. We plan to initiate process development activities at the facility in the second half of 2021 and we anticipate this facility will be fully operational in 2023.

On June 17, 2021, we announced the appointment of Eric Rubin, M.D. to our Board of Directors. Dr. Rubin brings to Oncorus a 30-year academic and industry career in cancer drug development, including his oncology leadership roles at Merck, known as MSD outside of the United States and Canada, where he currently serves as Senior Vice President of Global Clinical Oncology. Beginning his oncology career in academia, Dr. Rubin served as a faculty member at the Dana-Farber Cancer Institute and then as a senior leader of the Cancer Institute of New Jersey, where he was Director of the Investigational Therapeutics Division. In 2008, Dr. Rubin was recruited to Merck to lead the clinical oncology development team. He is a co-chair of the Cancer Steering Committee of the Biomarkers Consortium, Foundation of the National Institute of Health, a member of the Science Policy and Governmental Affairs Committee for AACR, and was a member of the National Cancer Moonshot Initiative/Blue Ribbon Panel Working Group on Expanding Clinical Trials.

On July 29, 2021, we announced the appointment of Barbara Yanni to our Board of Directors. Ms. Yanni has served on the Boards of multiple publicly and privately traded biopharmaceutical companies. She brings experience in corporate development, licensing and financial evaluation to the Company. Ms. Yanni was Vice President and Chief Licensing Officer at Merck & Co., from November 2001 until her retirement in March 2014. Prior to her role of Chief Licensing Officer, Ms. Yanni had various roles at Merck including in corporate development, financial evaluation, and tax. Ms. Yanni is an independent director currently on the boards of three public biotechnology companies: Trevena, Inc., Vaccinex, Inc., and Pharming Group N.V. She is also currently an independent director of Mesentech, a private biotechnology company. She previously served on the Board of Directors of Akcea Therapeutics, Inc., Abionyx Pharma and Symic Holdings, LLC.

Impact of the COVID-19 Pandemic on Our Business

In March 2020, the World Health Organization declared COVID-19 a global pandemic and the United States declared a national emergency with respect to COVID-19. In response to the COVID-19 pandemic, a number of governmental orders and other public health guidance measures have been implemented across much of the United States, including in the locations of our office, clinical trial sites and third parties on whom we rely. We anticipate that our clinical development timelines could be negatively affected by COVID-19, which could materially and adversely affect our business, financial condition and results of operations. Further, we have implemented a work-from-home policy allowing employees who can work from home to do so, while those needing to work in laboratory facilities work in shifts to reduce the number of people gathered together at one time. Business travel has been suspended, and online and teleconference technology is used to meet virtually rather than in person. We have taken measures to secure our research and development project activities, while work in laboratories has been organized to reduce risk of COVID-19 transmission. We expect to increase our employee presence in our offices in the coming months but we continue to monitor health guidance measures and may adjust our plans based upon the status of the pandemic at that time. Our increased reliance on personnel working from home may negatively impact productivity, or disrupt, delay or otherwise adversely impact our business. For example, with our personnel working from home, some of our research activities that require our personnel to be in our laboratories could be delayed.

Components of Operating Results

Research and Development Expenses

Research and development expenses consist primarily of costs incurred for our research and development activities, including our product candidate discovery efforts, preclinical and clinical studies under our research programs, which include:

- employee-related expenses, including salaries, benefits and stock-based compensation expense for our research and development personnel;
- costs of funding research performed by third parties that conduct research and development and preclinical and clinical activities on our behalf;
- costs of manufacturing drug product and drug supply related to our current or future product candidates;
- costs of conducting preclinical studies and clinical trials of our product candidates;
- consulting and professional fees related to research and development activities, including stock-based compensation to non-employees;
- costs of maintaining our laboratory, including purchasing laboratory supplies and non-capital equipment used in our preclinical studies;

- costs related to compliance with clinical regulatory requirements;
- facility costs and other allocated expenses, which include expenses for rent and maintenance of facilities, insurance, depreciation and other supplies; and
- fees for maintaining licenses and other amounts due under our third-party licensing agreements.

Research and development costs are expensed as incurred. Costs for certain activities are recognized based on an evaluation of the progress to completion of specific tasks using data such as information provided to us by our vendors and analyzing the progress of our preclinical and clinical studies or other services performed. Significant judgment and estimates are made in determining the accrued expense balances at the end of any reporting period.

We track external research and development costs on a program-by-program basis beginning, with respect to each program, upon our internal nomination of a candidate in that program for further preclinical and clinical development. For example, ONCR-021 and ONCR-788 were both nominated in May 2021, at which time we began tracking their external research and development costs. External costs include fees paid to consultants, contractors and vendors, including contract manufacturing organizations, or CMOs, and clinical research organizations, or CROs, in connection with our preclinical, clinical and manufacturing activities and license milestone payments related to candidate development. We do not allocate employee costs, costs associated with our discovery efforts, costs incurred for laboratory supplies, and facilities, including depreciation, or other indirect costs, to specific product development programs because these costs are deployed across multiple product development programs and, as such, are not separately classified.

The successful development of our product candidates is highly uncertain. We cannot reasonably estimate or know the nature, timing, and estimated costs of the efforts that will be necessary to complete development of our current or future product candidates. We are also unable to predict when, if ever, material net cash inflows will commence from the sale of our product candidates, if they are approved. This is due to the numerous risks and uncertainties associated with developing product candidates, including the uncertainty of:

- the scope, rate of progress, and expenses of our ongoing research activities as well as any preclinical studies and clinical trials and other research and development activities;
- establishing an appropriate safety profile;
- successful enrollment in and completion of clinical trials;
- whether our product candidates show safety and efficacy in our clinical trials;
- receipt of marketing approvals from applicable regulatory authorities;
- establishing commercial manufacturing capabilities or making arrangements with third-party manufacturers;
- obtaining and maintaining patent and trade secret protection and regulatory exclusivity for our product candidates;
- commercializing product candidates, if and when approved, whether alone or in collaboration with others; and
- continued acceptable safety profile of the products following any regulatory approval.

A change in the outcome of any of these variables with respect to the development of our current and future product candidates would significantly change the costs and timing associated with the development of those product candidates.

Research and development activities are central to our business model. Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials. We expect research and development costs to increase significantly for the foreseeable future as we commence clinical trials and continue the development of our current and future product candidates. However, we do not believe that it is possible at this time to accurately project expenses through commercialization. There are numerous factors associated with the successful commercialization of any of our product candidates, including future trial design and various regulatory requirements, many of which cannot be determined with accuracy at this time based on our stage of development. Additionally, future commercial and regulatory factors beyond our control will impact our clinical development programs and plans.

General and Administrative Expenses

General and administrative expenses include salaries and other compensation-related costs, including stock-based compensation, for personnel in executive, finance and accounting, business development, operations and administrative roles. Other significant costs include professional service and consulting fees including legal fees relating to intellectual property and corporate matters, audit and

tax fees, recruiting costs, costs for consultants who we utilize to supplement our personnel and insurance costs. We also include travel costs, facility and office-related costs that are not included in research and development expenses, as well as depreciation and amortization.

We anticipate that our general and administrative expenses will increase in the future as our business expands to support expected growth in research and development activities, including our future clinical programs. These increases will likely include increased costs related to the hiring of additional personnel and fees to outside service providers, among other expenses. We also anticipate increased expenses associated with being a public company, including costs for audit, legal, regulatory and tax-related services related to compliance with the rules and regulations of the Securities and Exchange Commission, or the SEC, and listing standards applicable to companies listed on a national securities exchange, director and officer insurance premiums, and investor relations costs. In addition, if we obtain regulatory approval for any of our product candidates and do not enter into a third-party commercialization collaboration, we expect to incur significant expenses related to building a sales and marketing team to support product sales, marketing and distribution activities.

Other Income (Expense)

Other income (expense) primarily includes changes in fair value of the Series B tranche rights and interest income, net.

Included in the terms of the Series B stock purchase agreement in August 2019 were tranche rights granted to the holders of the Series B. The tranche rights provided the Series B holders with the right to purchase additional shares of Series B in an additional tranche under certain events. The tranche rights met the definition of a freestanding financial instrument as the tranche rights were legally detachable and separately exercisable from the Series B. The tranche rights were initially recorded at fair value as a liability on our consolidated balance sheet. The tranche rights were subsequently re-measured at fair value at the end of each reporting period and at settlement, which occurred in September 2020, when the second and final tranche of the Series B financing closed. Changes in the fair value were recognized as a component of other income (expense) in the three and six months ended June 30, 2020.

Interest income primarily consists of interest income from our cash and cash equivalents.

Results of Operations

The following table summarizes our results of operations for the periods indicated.

	THREE MONTHS ENDED JUNE 30,		CHANGE		SIX MONTHS ENDED JUNE 30,		CHANGE	
	2021	2020	$	%	2021	2020	$	%
	(in thousands, except percentages)							
Operating expenses:								
Research and development	$ 10,660	$ 6,741	$ 3,919	58%	$ 19,107	$ 12,633	$ 6,474	51%
General and administrative	4,889	2,007	2,882	144%	9,111	4,059	5,052	124%
Total operating expenses	15,549	8,748	6,801	78%	28,218	16,692	11,526	69%
Loss from operations	(15,549)	(8,748)	(6,801)	-78%	(28,218)	(16,692)	(11,526)	-69%
Total other income (expense), net	21	(626)	647	-103%	27	(509)	536	-105%
Net loss	$ (15,528)	$ (9,374)	$ (6,154)	-66%	$ (28,191)	$ (17,201)	$ (10,990)	-64%

Three Months Ended June 30, 2021 Compared to the Three Months Ended June 30, 2020

Research and Development Expenses

The table below summarizes our research and development expenses by product candidate or development program and unallocated research and development expenses for each of the periods presented:

	THREE MONTHS ENDED JUNE 30,		
	2021	2020	CHANGE
	(in thousands)		
Direct external expenses by program			
ONCR-177	$ 2,778	$ 2,773	$ 5
ONCR-021	468	—	468
ONCR-788	84	—	84
Platform development, early stage research and unallocated expenses:			
Employee compensation and related	3,523	2,080	1,443
External research, development and consulting	732	663	69
Laboratory supplies	935	570	365
Facility-related	1,533	327	1,206
Other expenses	607	328	279
Total research and development	$ 10,660	$ 6,741	$ 3,919

Research and development expenses increased from $6.7 million for the three months ended June 30, 2020 to $10.7 million for the three months ended June 30, 2021. The increase of $3.9 million, or 58%, was primarily the result of:

- a $0.6 million increase in direct external expenses for our product candidates ONCR-021 and ONCR-788, which was attributable to pre-clinical development costs that were incurred subsequent to the candidate nominations in May 2021;
- a $1.4 million increase in employee compensation costs, including salaries, bonus and employee benefits, due to increased headcount in 2021 as compared to 2020. Employee compensation costs also increased due to higher stock compensation expense from increased stock option grants to existing and new employees at higher share prices in 2021 compared to 2020;
- a $0.4 million increase in laboratory supplies driven by our increased headcount and activities;
- a $1.2 million increase in facility costs related to rent expense for our new manufacturing facility in Andover, Massachusetts for which we entered into the lease in late 2020; and
- a $0.3 million increase in other expenses primarily related to increased support costs related to our growth.

General and Administrative Expenses

	THREE MONTHS ENDED JUNE 30,		
	2021	2020	CHANGE
		(in thousands)	
Employee compensation and related	$ 2,092	$ 831	$ 1,261
Professional service and consultant fees	2,273	845	1,428
Facility-related	98	126	(28)
Other expenses	426	205	221
Total general and administrative expenses	$ 4,889	$ 2,007	$ 2,882

General and administrative expenses increased from $2.0 million for the three months ended June 30, 2020 to $4.9 million for the three months ended June 30, 2021. The increase of $2.9 million, or 144%, was primarily the result of:

- a $1.3 million increase in employee compensation costs primarily related to increased salaries and bonus, increased headcount associated with our growth and higher stock compensation expenses in 2021 compared to 2020, due to an increased number of stock options granted at higher share prices to existing and new employees;

- a $1.4 million increase in professional service and consultant fees primarily related to increased costs related to operating as a public company, including increased insurance expense, increased consultant costs to support our personnel and efforts and increased recruiting costs related to our headcount growth; and
- a $0.2 million increase in other expenses primarily related to increased support costs related to our growth.

Other Income (Expense)

Other income (expense) for the three months ended June 30, 2021 improved by $0.6 million compared to the three months ended June 30, 2020. We recognized a $0.6 million loss associated with the change in fair value of the Series B tranche rights during the three months ended June 30, 2020. Since the Series B tranche rights were settled in September 2020, there was no loss recognized in the three months ended June 30, 2021.

Six Months Ended June 30, 2021 Compared to the Six Months Ended June 30, 2020

Research and Development Expenses

The table below summarizes our research and development expenses by product candidate or development program and unallocated research and development expenses for each of the periods presented:

	SIX MONTHS ENDED JUNE 30,		
	2021	2020	CHANGE
	(in thousands)		
Direct external expenses by program			
ONCR-177	$ 4,408	$ 4,258	$ 150
ONCR-021	468	—	468
ONCR-788	84	—	84
Platform development, early stage research and unallocated expenses:			
Employee compensation and related	6,534	4,039	2,495
External research, development and consulting	1,590	1,570	20
Laboratory supplies	1,860	1,348	512
Facility-related	3,055	685	2,370
Other expenses	1,108	733	375
Total research and development	$ 19,107	$ 12,633	$ 6,474

Research and development expenses increased from $12.6 million for the six months ended June 30, 2020 to $19.1 million for the six months ended June 30, 2021. The increase of $6.5 million, or 51%, was primarily the result of:

- a $0.2 million increase in direct external expenses for our product candidate ONCR-177, which was attributable to increased clinical trial costs associated with our Phase 1 trial of ONCR-177;
- a $0.6 million increase in direct external expenses for our product candidates ONCR-021 and ONCR-788, which was attributable to pre-clinical development costs that were incurred subsequent to the candidate nominations in May 2021;
- a $2.5 million increase in employee compensation costs, including salaries, bonus and employee benefits, due to increased headcount in 2021 as compared to 2020. Employee compensation costs also increased due to higher stock compensation expense from increased stock option grants to existing and new employees at higher share prices in 2021 compared to 2020;
- a $0.5 million increase in laboratory supplies driven by our increased headcount and activities;
- a $2.4 million increase in facility costs related to rent expense for our new manufacturing facility in Andover, Massachusetts for which we entered into the lease in late 2020; and
- a $0.4 million increase in other expenses primarily related to increased support costs related to our growth.

General and Administrative Expenses

	SIX MONTHS ENDED JUNE 30,		CHANGE
	2021	2020	
	(in thousands)		
Employee compensation and related	$ 3,741	$ 1,678	$ 2,063
Professional service and consultant fees	4,362	1,670	2,692
Facility-related	206	245	(39)
Other expenses	802	466	336
Total general and administrative expenses	$ 9,111	$ 4,059	$ 5,052

General and administrative expenses increased from $4.1 million for the six months ended June 30, 2020 to $9.1 million for the six months ended June 30, 2021. The increase of $5.1 million, or 124%, was primarily the result of:

- a $2.1 million increase in employee compensation costs primarily related to increased salaries and bonus, increased headcount associated with our growth and higher stock compensation expenses in 2021 compared to 2020, due to an increased number of stock options granted at higher share prices to existing and new employees;
- a $2.7 million increase in professional service and consultant fees primarily related to increased costs related to operating as a public company, including increased insurance expense, increased consultant costs to support our personnel and efforts and increased recruiting costs related to our headcount growth; and
- a $0.3 million increase in other expenses primarily related to increased support costs related to our growth.

Other Income (Expense)

Other income (expense) for the six months ended June 30, 2021 improved by $0.5 million compared to the six months ended June 30, 2020. We recognized a $0.6 million loss associated with the change in fair value of the Series B tranche rights in the six months ended June 30, 2020. Since the Series B tranche rights were settled in September 2020, no loss was recognized in the six months ended June 30, 2021.

Liquidity and Capital Resources

Sources of Liquidity

From inception through June 30, 2021, we funded our operations with gross proceeds of $306.3 million from sales of our redeemable convertible preferred stock, our IPO and our Follow-on Offering. As of June 30, 2021, our cash and cash equivalents totaled $159.9 million.

Cash Flows

	SIX MONTHS ENDED JUNE 30,	
	2021	2020
	(in thousands)	
Net cash (used in) provided by:		
Operating activities	$ (21,538)	$ (15,623)
Investing activities	(2,177)	(747)
Financing activities	53,330	5
Net increase (decrease) in cash and cash equivalents	$ 29,615	$ (16,365)

Operating Activities

Net cash used in operating activities for the six months ended June 30, 2021 was $21.5 million and was primarily related to our net loss for the period of $28.2 million, partially offset by non-cash charges consisting of depreciation and amortization of $0.8 million and stock-based compensation expense of $2.8 million. Our net cash used in operating activities also included a net source of cash of $3.0 million related to changes in operating assets and liabilities as follows:

- a net cash source of $2.1 million from changes in the operating lease liability and associated right-of-use asset due to the difference in the timing of rent expense compared to rent payments;

- a net cash source of $0.7 million from an increase in accounts payable as a result of overall expense growth and the timing of invoicing; and
- a net cash source of $0.2 million from a decrease in prepaid expenses and other current assets primarily due to a decrease in payments to vendors in advance of services being performed.

Net cash used in operating activities for the six months ended June 30, 2020 was $15.6 million and was primarily related to our net loss for the period of $17.2 million, partially offset by non-cash charges consisting of depreciation and amortization of $0.6 million, stock-based compensation expense of $0.6 million and the change in fair value of Series B tranche rights of $0.6 million. Our net cash used in operating activities also included a net use of cash of $0.3 million related to changes in operating assets and liabilities as follows:

- a net cash use of $0.9 million based on an increase in prepaid expenses and other current assets primarily due to increased payments to vendors in advance of services being performed;
- a net cash use of $0.4 million from changes in the operating lease liability and associated right-of-use asset due to the difference in the timing of rent expense compared to rent payments; and
- a net cash source of $1.0 million from an increase in accounts payable due to overall expense growth and the timing of invoices.

Investing Activities

Net cash used in investing activities for the six months ended June 30, 2021 and 2020 was $2.2 million and $0.7 million, respectively. These investing activities were associated with leasehold improvements for our Andover facility and the purchase of equipment.

Financing Activities

Net cash provided by financing activities for the six months ended June 30, 2021 was $53.3 million and primarily consisted of net proceeds from our Follow-on Offering. Net cash from financing activities for the three months ended June 30, 2020 was not significant.

Funding Requirements

We expect our expenses to increase in connection with our ongoing activities, particularly as we continue our research and development, initiate clinical trials, and seek marketing approval for our current and any of our future product candidates. In addition, if we obtain marketing approval for any of our current or our future product candidates, we expect to incur significant commercialization expenses related to product sales, marketing, manufacturing and distribution, which costs we may seek to offset through entry into collaboration agreements with third parties. We also expect to incur additional costs associated with operating as a public company. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations. If we are unable to raise capital when needed or on acceptable terms, we would be forced to delay, reduce or eliminate our research and development programs or future commercialization efforts.

We believe that our existing cash and cash equivalents will enable us to fund our operating expenses and capital expenditure requirements into late 2023. We have based this estimate on assumptions that may prove to be wrong, and we may use our available capital resources sooner than we currently expect. Our future capital requirements will depend on a number of factors, including:

- the costs of conducting preclinical studies and clinical trials;
- the costs of manufacturing;
- the scope, progress, results and costs of discovery, preclinical development, laboratory testing, and clinical trials for product candidates we may develop, if any;
- the costs, timing, and outcome of regulatory review of our product candidates;
- our ability to establish and maintain collaborations on favorable terms, if at all;
- the achievement of milestones or occurrence of other developments that trigger payments under any license or collaboration agreements we might have at such time;

- the costs and timing of future commercialization activities, including product sales, marketing, manufacturing and distribution, for any of our product candidates for which we receive marketing approval;
- the amount of revenue, if any, received from commercial sales of our product candidates, should any of our product candidates receive marketing approval;
- the costs of preparing, filing and prosecuting patent applications, obtaining, maintaining and enforcing our intellectual property rights, and defending intellectual property-related claims;
- our headcount growth and associated costs as we expand our business operations and research and development activities; and
- the costs of operating as a public company.

Our cash and cash equivalents as of June 30, 2021 will not be sufficient to complete development of ONCR-177 or any other product candidate. Accordingly, we will be required to obtain further funding to achieve our business objectives.

Until such time, if ever, as we can generate substantial product revenues, we expect to finance our cash needs through a combination of public or private equity offerings and debt financings or other sources, such as potential collaboration agreements, strategic alliances and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, ownership interests of stockholders may be diluted, and the terms of these securities may include liquidation or other preferences that could adversely affect the rights of our common stockholders. Additional debt financing, if available, may involve agreements that include restrictive covenants that limit our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends, that could adversely impact our ability to conduct our business.

If we raise funds through potential collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates, or to grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

Critical Accounting Policies and Significant Judgments and Estimates

Our unaudited interim condensed consolidated financial statements and accompanying notes have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these unaudited interim condensed consolidated financial statements requires us to make judgments and estimates that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the unaudited interim condensed consolidated financial statements and the reported amounts of expenses during the reported periods. We base our estimates on historical experience, known trends and events, and various other factors that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. On an ongoing basis, we evaluate our judgments and estimates in light of changes in circumstances, facts, and experience. The effects of material revisions in estimates, if any, will be reflected in the consolidated financial statements prospectively from the date of change in estimates.

There have been no significant changes to our critical accounting policies from those described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on March 10, 2021.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined under SEC rules.

Contractual Obligations

As of June 30, 2021, there have been no material changes to our contractual obligations and commitments from those described in our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on March 10, 2021.

Emerging Growth Company and Smaller Reporting Company Status

We are an ‘‘emerging growth company,’’ or EGC, under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. Section 107 of the JOBS Act provides that an EGC can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. Thus, an EGC can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to avail ourselves of the delayed adoption of new or revised accounting standards and, therefore, we will be subject to the same requirements to adopt new or revised accounting standards as private entities.

As an EGC, we may also take advantage of certain exemptions and reduced reporting requirements under the JOBS Act. Subject to certain conditions, as an EGC:

- we may present only two years of audited financial statements and only two years of related Management’s Discussion and Analysis of Financial Condition and Results of Operations in our annual reports on Form 10-K filed with the SEC;
- we will avail ourselves of the exemption from providing an auditor’s attestation report on our internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act;
- we will avail ourselves of the exemption from complying with any requirement that may be adopted by the Public Company Accounting Oversight Board, or PCAOB, regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements, known as the auditor discussion and analysis;
- we may provide reduced disclosure about our executive compensation arrangements in our proxy statements filed with the SEC; and
- we will not require nonbinding advisory votes on executive compensation or stockholder approval of any golden parachute payments.

We will remain an EGC until the earliest of (i) December 31, 2025, (ii) the last day of the fiscal year in which we have total annual gross revenues of $1.07 billion or more, (iii) the date on which we have issued more than $1 billion in non-convertible debt during the previous rolling three-year period, or (iv) the date on which we are deemed to be a large accelerated filer under the Securities Exchange Act of 1934, as amended, or the Exchange Act.

We are also a ‘‘smaller reporting company,’’ meaning that the market value of our stock held by non-affiliates is less than $700 million and our annual revenue was less than $100 million during our most recently completed fiscal year. We may continue to be a smaller reporting company for so long as (i) the market value of our stock held by non-affiliates is less than $250 million or (ii) our annual revenue is less than $100 million during our most recently completed fiscal year and the market value of our stock held by non-affiliates is less than $700 million.

If we are a smaller reporting company at the time we cease to be an EGC, we may continue to rely on exemptions from certain disclosure requirements that are available to smaller reporting companies. Specifically, as a smaller reporting company we may choose to present only the two most recent fiscal years of audited financial statements in our Annual Report on Form 10-K and, similar to EGCs, smaller reporting companies have reduced disclosure obligations regarding executive compensation.

Recent Accounting Pronouncements

Refer to Note 2 in the accompanying notes to our unaudited interim condensed consolidated financial statements appearing elsewhere in this Quarterly Report on Form 10-Q for a discussion of recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risk related to changes in interest rates. Our primary exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates, particularly because our cash equivalents, in the form of a money market fund, are primarily invested in U.S. Treasury obligations. However, because of the short-term nature of the investments in our portfolio, an immediate one percentage point change in market interest rates would not have a material impact on the fair market value of our investment portfolio or on our financial position or results of operations.

We are not currently exposed to significant market risk related to changes in foreign currency exchange rates; however, we have contracted with, and may continue to contract with, foreign vendors that are located in Europe. Our operations may be subject to fluctuations in foreign currency exchange rates in the future.

Inflation generally affects us by increasing our cost of labor. We do not believe that inflation had a material effect on our business, financial condition or results of operations during the year ended December 31, 2020 and the six months ended June 30, 2021.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2021, the end of the period covered by this Quarterly Report on Form 10-Q. Based on the evaluation of our disclosure controls and procedures as of June 30, 2021, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving the desired control objectives. Our management recognizes that any control system, no matter how well designed and operated, is based upon certain judgments and assumptions and cannot provide absolute assurance that its objectives will be met. Similarly, an evaluation of controls cannot provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we may become involved in legal proceedings arising in the ordinary course of our business. We are not currently a party to any material legal proceedings, and we are not aware of any pending or threatened legal proceeding against us that we believe could have an adverse effect on our business, operating results or financial condition.

Item 1A. Risk Factors.

Our business is subject to risks and events that, if they occur, could adversely affect our financial condition and results of operations and the trading price of our securities. Our risk factors as of the date of this Quarterly Report on Form 10-Q have not changed materially from those described in "Part I, Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on March 10, 2021.

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

(a) Sales of Unregistered Securities

None.

(b) Use of Proceeds from Initial Public Offering of Common Stock

On October 1, 2020, our Registration Statement on Form S-1, as amended (File No. 333-248757) was declared effective in connection with the IPO of our common stock, pursuant to which we registered an aggregate of 6,670,000 shares of our common stock, of which we sold 6,557,991 shares, including the partial exercise of the underwriters' option to purchase additional shares, at a price to the public of $15.00 per share. The offering closed on October 6, 2020, and, as a result, we received net proceeds of $88.3 million (after deducting underwriters' discounts and commissions of approximately $6.9 million and additional offering related costs of approximately $3.2 million). The joint book-running managers of the offering were Jefferies LLC, Evercore Group L.L.C. and Piper Sandler & Co.

No expenses incurred by us in connection with our IPO were made directly or indirectly to (i) any of our officers or directors or their associates, (ii) any persons owning 10% or more of any class of our equity securities, or (iii) any of our affiliates.

There has been no material change in the planned use of proceeds from our IPO from that described in the final prospectus filed by us with the Securities and Exchange Commission pursuant to Rule 424(b) on October 2, 2020.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of the Registrant (incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-39575), filed with the SEC on October 6, 2020).
3.2	Amended and Restated Bylaws of the Registrant (incorporated herein by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K (File No. 001-39575), filed with the SEC on October 6, 2020).
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1^	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2^	Certification of Principal 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 (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the inline XBRL 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	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

^ This certification is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing by the registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURES

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

Oncorus, Inc.

Date: August 4, 2021 By: /s/ Theodore (Ted) Ashburn

Theodore (Ted) Ashburn, M.D., Ph.D.
President, Chief Executive Officer and Director
(Principal Executive Officer)

Date: August 4, 2021 By: /s/ John McCabe

John McCabe
Chief Financial Officer
(Principal Financial Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Theodore (Ted) Ashburn, M.D., Ph.D., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Oncorus, 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(s) 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)) 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) 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

   (c) 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2021

By: /s/ Theodore (Ted) Ashburn, M.D., Ph.D.
Theodore (Ted) Ashburn, M.D., Ph.D.
President, Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John McCabe, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Oncorus, 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(s) 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)) 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) 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

   (c) 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2021

By: /s/ John McCabe
John McCabe
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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 Oncorus, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: August 4, 2021

By: /s/ Theodore (Ted) Ashburn, M.D., Ph.D.
Theodore (Ted) Ashburn, M.D., Ph.D.
President, Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 32.2

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 Oncorus, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: August 4, 2021

By: /s/ John McCabe
John McCabe
Chief Financial Officer
(Principal Financial Officer)