Taxation

We are subject to corporate taxation in Switzerland, United States and France. We are also entitled under Swiss laws to carry forward any losses incurred for a period of seven years and can offset our losses carried forward against future taxes. As of December 31, 2023, we had tax losses carried forward totaling CHF 153.5 million of which CHF 0.3 million will expire by the end of 2024. Deferred income taxes are not recognized as we do not believe it is probable that we will generate sufficient taxable profits to utilize these tax losses carried forward.

A. Operating Results

Analysis of Results of Operations

The following table presents our consolidated results of operations for the fiscal years 2023, 2022 and 2021.

	For the years ended December 31,		
	2023	2022	2021
	(CHF in thousands, unaudited)		
Revenue	1,613	1,422	2,916
Other Income	34	23	237
Research and development costs	(6,962)	(14,665)	(12,840)
General and administrative costs	(4,966)	(7,300)	(5,819)
Operating loss	**(10,281)**	**(20,520)**	**(15,506)**
Finance income	64	29	217
Finance expense	(339)	(313)	(63)
Net loss	**(10,556)**	**(20,804)**	**(15,352)**

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue

The following table sets forth our revenue in 2023 and 2022.

	For the years ended December 31,	
	2023	2022
	(CHF in thousands)	
Collaborative research funding	1,613	1,422
Total	**1,613**	**1,422**

Revenue increased by CHF 0.2 million in 2023 compared to 2022 due to amounts received under our agreement with Indivior which are recognized as related costs are incurred.

Other Income

The following table sets forth our other income in 2023 and 2022.

	For the years ended December 31,	
	2023	2022
	(CHF in thousands)	
Research grants	30	—
Other service income	4	23
Total	**34**	**23**

Other income was close to nil in 2023 and 2022. Other income recognized primarily related to Eurostars/Innosuisse’s grant recognized as costs are incurred in accordance with the grant conditions in 2023 and to IT consulting services in 2022.

Research and Development Expenses

The following table sets forth our research and development expenses in 2023 and 2022.

	For the years ended December 31,	
	2023	**2022**
	(CHF in thousands, unaudited)	
Dipraglurant PD-LID	(99)	5,984
Dipraglurant blepharospasm	—	632
GABAB PAM	1,042	1,267
M4 PAM	1,518	1,228
Other discovery programs	287	919
Subtotal outsourced R&D per program	**2,748**	**10,030**
Staff costs	2,912	3,358
Depreciation and amortization	245	256
Laboratory consumables	331	319
Patent maintenance and registration costs	370	318
Short-term leases	27	42
Other operating expenses	329	342
Subtotal unallocated R&D expenses	**4,214**	**4,635**
Total	**6,962**	**14,665**

Research and development expenses decreased by CHF 7.7 million in 2023 compared to 2022, mainly due to decreased outsourced R&D costs for CHF 7.3 million attributed to reduced dipraglurant clinical development activities terminated on June 17, 2022. Changes in estimates of costs to terminate the dipraglurant clinical development resulted in the release of CHF 0.2 million of previously recorded accruals resulting in a credit to dipraglurant related R&D costs. During the same period, staff costs decreased by CHF 0.4 million primarily due to decreased share-based compensation costs.

General and Administrative Costs

The following table sets forth our general and administrative costs in 2023 and 2022.

	For the years ended December 31,	
	2023	**2022**
	(CHF in thousands, unaudited)	
Staff costs	2,465	3,695
Depreciation and amortization	61	68
Professional fees	1,164	1,424
Short-term leases	8	5
D&O insurance	629	1,591
Other operating costs	639	517
Total	**4,966**	**7,300**

General and administrative costs decreased by CHF 2.3 million in 2023 compared to 2022, primarily due to decreased D&O insurance costs of CHF 1.0 million and decreased staff costs primarily driven by reduced share-based service costs of CHF 1.1 million.

Finance Result, Net

The following table sets forth our finance result net in 2023 and 2022.

	For the years ended December 31,	
	2023	2022
	(CHF in thousands)	
Interest income	64	29
Interest cost	(2)	(26)
Interest expense on leases	(20)	(23)
Foreign exchange (losses), net	(317)	(264)
Total	**(275)**	**(284)**

Finance result, net remained stable in 2023 compared to 2022 and primarily relates to foreign exchange loss on USD cash deposits partially offset by interest income related to USD cash deposits.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue

The following table sets forth our revenue in 2022 and 2021.

	For the years ended December 31,	
	2022	2021
	(CHF in thousands)	
Collaborative research funding	1,422	2,916
Total	**1,422**	**2,916**

Revenue decreased by CHF 1.5 million in 2022 compared to 2021 due to amounts received under our license and research agreements with Indivior which are recognized as related costs are incurred.

Other Income

The following table sets forth the other income in 2022 and 2021.

	For the years ended December 31,	
	2022	2021
	(CHF in thousands)	
Research grants	—	218
Other service income	23	19
Total	**23**	**237**

Other income, decreased by CHF 0.2 million in 2022 compared to 2021 as we did not recognize any income from the grant with Eurostars/Innosuisse in 2022, in accordance with the grant conditions. Other service income relates to IT consultancy agreements.

Research and Development Expenses

The following table sets forth our research and development expenses in 2022 and 2021.

	For the years ended December 31,	
	2022	**2021**
	(CHF in thousands, unaudited)	
Dipraglurant PD-LID	5,984	5,455
Dipraglurant blepharospasm	632	720
GABAB PAM	1,267	1,513
M4 PAM	1,228	403
Other discovery programs	919	923
Subtotal outsourced R&D per program	**10,030**	**9,014**
Staff costs	3,358	2,587
Depreciation and amortization	256	273
Laboratory consumables	319	295
Patent maintenance and registration costs	318	266
Short-term leases	42	22
Other operating expenses	342	383
Subtotal unallocated R&D expenses	**4,635**	**3,826**
Total	**14,665**	**12,840**

Research and development costs increased by CHF 1.8 million in 2022 compared to 2021 primarily due to higher outsourced R&D expenses of CHF 1.0 million including CHF 0.6 million for discovery activities and CHF 0.4 million for dipraglurant clinical development activities. During the same period, staff costs primarily driven by the evolution of higher share-based compensation costs, increased by CHF 0.8 million.

General and Administrative Costs

The following table sets forth our general and administrative costs in 2022 and 2021.

	For the years ended December 31,	
	2022	**2021**
	(CHF in thousands, unaudited)	
Staff costs	3,695	2,150
Depreciation and amortization	68	74
Professional fees	1,424	1,380
Short-term leases	5	16
D&O Insurance	1,591	1,592
Other operating costs	517	607
Total	**7,300**	**5,819**

General and administrative costs increased by CHF 1.5 million in 2022 compared to 2021. The increase primarily relates to staff costs for CHF 1.5 million driven by higher share-based compensation costs.

Finance Result, Net

The following table sets forth our finance result net in 2022 and 2021.

	For the years ended December 31,	
	2022	**2021**
	(CHF in thousands)	
Interest income	29	5
Interest cost	(26)	(39)
Interest expense on leases	(23)	(24)
Foreign exchange gains/(losses), net	(264)	212
Total	**(284)**	**154**

Finance result, net decreased by CHF 0.4 million in 2022 compared to 2021 mainly due to a net currency exchange loss of CHF 0.3 million in 2022 compared to a net currency exchange gain of CHF 0.2 million in 2021 primarily due to currency exchange differences on U.S dollar cash deposits due to the strengthening of the Swiss franc.

B. Liquidity and Capital Resources

Since our inception through December 31, 2023, we have generated CHF 66.4 million of revenue and have incurred net losses and negative cash flows from our operations. We have funded our operations primarily through the sale of equity. From inception through December 31, 2023, we raised an aggregate of CHF 355.2 million of gross proceeds from the sale of equity. As at December 31, 2023, we had CHF 3.9 million in cash and cash equivalents. Between the closing date and the issuance date of our Annual Report on Form 20-F, we have raised a total of CHF 5.2 million including CHF 5.0 million from the sale of our allosteric modulator drug discovery technology platform and a portfolio of preclinical programs to Neurosterix and CHF 0.2 million under our sale agency agreement with Kepler Cheuvreux.

Our primary uses of cash are to fund operating expenses, which consist mainly of research and development expenditures and associated general and administrative costs. Cash used to fund operating expenses is impacted by the timing of when we pay these expenses, as reflected in the changes in our outstanding accounts payable and accrued expenses. We currently have no ongoing material financing commitments, such as lines of credit or guarantees.

We expect a significant decrease of our expenses in the near term compared to the expenses incurred in the twelve-month period ended December 31, 2023, as we sold our allosteric modulator drug discovery technology platform and a portfolio of pre-clinical programs to Neurosterix on April 2, 2024 (See Item 8-B – significant changes) and we have no ongoing self-funded clinical studies. In the medium and long term, our expenses may increase to pre-Neurosterix transaction levels, particularly as we continue to the development of our GABAB PAM chronic cough drug candidate, initiate further clinical trials and seek marketing approval for our drug candidates.

In addition, if we obtain marketing approval for any of our drug candidates, we expect to incur significant commercialization expenses related to program sales, marketing, manufacturing and distribution to the extent that such sales, marketing and distribution are not the responsibility of potential collaborators. 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 attractive terms, we would be forced to delay, reduce or eliminate our research and development programs or future commercialization efforts.

We expect our existing cash and cash equivalents at the issuance date of Annual Report on Form 20-F will enable us to fund our operating expenses and capital expenditure requirements through 2026. Our future viability is dependent on our ability to monetize our intellectual property portfolio and /or raise additional capital though public or private financings that may dilute existing shareholders. We have based this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we currently expect. Our future capital requirements will depend on many factors, including:

- the scope, progress, results and costs of our ongoing and planned preclinical study for our GABAB PAM cough indication drug candidate;

- the timing and amount of milestone and royalty payments we may receive under our license agreements;
- the extent to which we out-license, in-license, sell or acquire other drug candidates and technologies;
- the number and development requirements of other drug candidates that we may pursue;
- the costs, timing and outcome of regulatory review of our drug candidates;
- cost associated with finding alternative suppliers due to geopolitical events such as the ongoing war in Ukraine;
- the costs associated with building out our operations; and
- the costs and timing of future commercialization activities, including drug manufacturing, marketing, sales and distribution, for any of our drug candidates for which we receive marketing approval.

Identifying potential drug candidates and conducting preclinical studies and clinical trials is a time-consuming, expensive and uncertain process that takes many years to complete, and we may never generate the necessary data or results required to obtain marketing approval and achieve product sales. In addition, our drug candidates, if approved, may not achieve commercial success. Our revenue, if any, will be derived from sales of products that we do not expect to be commercially available for many years, if at all.

Until such time, if ever, as we can generate substantial product revenue, we may finance our cash needs through a combination of equity offerings, debt financings, collaborations, strategic alliances and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms of any additional securities may include liquidation or other preferences that adversely affect your rights as a shareholder. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends.

If we raise funds through additional 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 drug candidates or to grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings 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 drug candidates that we would otherwise prefer to develop and market ourselves.

The following table shows a summary of our cash flows for the years indicated:

	For the years ended December 31,		
	2023	**2022**	**2021**
		(CHF in thousands)	
Cash and cash equivalents at the beginning of the year	**6,957**	**20,485**	**18,695**
Net cash flows used in operating activities	(7,992)	(16,437)	(14,705)
Net cash flows from /(used in) investing activities	(7)	3	(30)
Net cash flows from financing activities	5,264	3,102	16,403
Increase/(Decrease) in cash and cash equivalents.	**(2,735)**	**(13,332)**	**1,668**
Effect of the exchange rates	(357)	(196)	122
Cash and cash equivalents at end of year	**3,865**	**6,957**	**20,485**

Operating Activities

Net cash flows from or used in operating activities consist of the net loss adjusted for changes in net working capital (current assets less current liabilities), and for non-cash items such as depreciation, the value of share-based services and changes in post-employment benefits.

During the year ended December 31, 2023, operating activities used CHF 8.0 million of cash primarily due to our net loss of CHF 10.6 million adjusted for CHF 0.3 million of net finance costs and CHF 0.2 million of decreased net working capital, partially offset by non-cash items of CHF 2.0 million including CHF 1.8 million of share-based compensation costs and CHF 0.3 million of depreciation of the right-of-use assets of leases. The decrease of the net working capital primarily relates to decreased trade receivables, prepayments and contract assets for a cumulative amount of CHF 0.5 million and increased deferred income of CHF 0.3 million related to funds received from Innosuisse/Eurostar's grant, partially offset by decreased payables and accruals of CHF 0.6 million.

During the year ended December 31, 2022, operating activities used CHF 16.4 million of cash primarily due to our net loss of CHF 20.8 million adjusted for CHF 0.2 million of decreased net working capital and CHF 0.2 million of net finance costs, partially offset by non-cash items for CHF 4.0 million including CHF 3.7 million of share-based compensation costs and CHF 0.3 million of depreciation of the right-of-use assets for leases. Changes in net working capital mainly relate to decreased prepayments due to the termination of our dipraglurant clinical development activities.

During the year ended December 31, 2021, operating activities used CHF 14.7 million of cash primarily due to our net loss of CHF 15.4 million adjusted for CHF 0.6 million of increased net working capital and a net finance income of CHF 0.1 million primarily related to currency exchange gains on cash and cash equivalents, partially offset by non-cash items for CHF 1.4 million mainly related to the value of share-based services and depreciation of the right-of-use assets for leases. Changes in net working capital mainly relate to increased prepayments on our dipraglurant PD-LID program.

Investing Activities

Net cash used in investing activities consist primarily of investments in computer and laboratory equipment, security rental deposits related to laboratory and office space.

During the year ended December 31, 2023, 2022 and 2021 investing activities were close to nil and primarily related to investments in our laboratory equipment and to a lesser extent computer hardware.

Financing Activities

Net cash flows from financing activities consists of proceeds from the sale of equity securities, whilst net cash flows used in financing activities primarily relate to the principal element of lease payments and associated interest expenses, interest expenses on Swiss francs cash deposits and capital increase costs.

During the year ended December 31, 2023, net cash flows from financing activities amounted to CHF 5.3 million including CHF 4.5 million from the offering executed with an institutional investor on April 3, 2023 and CHF 1.2 million from the sale agency agreement managed by Kepler Cheuvreux, partially offset by costs associated with the offering, the sale and the issuance of treasury shares whose combined amount paid during the annual year ended December 31, 2023 amounted to CHF 0.3 million and CHF 0.3 million for the principal element of lease payments.

During the year ended December 31, 2022, net cash flows from financing activities amounted to CHF 3.1 million and relate to an offering executed on July 22, 2022 with an institutional investor and sales of treasury shares through the sale agency agreement with Kepler Cheuvreux in July 2022 with gross proceed of CHF 4.1 million and CHF 0.4 million, respectively, partially offset by the costs associated with the offering executed on December 16, 2021 and July 22, 2022 and paid in 2022 for CHF 0.5 million and CHF 0.4 million, respectively. The other cash out flows primarily relate to the principal element of lease payments and associated interest expense for CHF 0.3 million and issuance cost of new treasury shares executed in 2022 for a total amount of CHF 0.2 million.

During the year ended December 31, 2021, net cash flows from financing activities amounted to CHF 16.4 million and primarily relate to offerings executed on January 8, 2021 and December 16, 2021, with a respective gross proceed of CHF 10.1 million and CHF 9.2 million partially offset by total offering costs of CHF 3.3 million of which CHF 0.2 million was paid in December 2020 and CHF 0.5 million remained payable as of December 31, 2021. The other cash out flows primarily relate to the principal element of lease payments and associated interest expense for CHF 0.4 million.