UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023

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: 001-40323

RECURSION PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware 46-4099738

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

41 S Rio Grande Street
Salt Lake City, UT 84101
(Address of principal executive offices) (Zip code)
(385) 269 - 0203
(Registrant's telephone number, including area code)

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value $0.00001	RXRX	Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x 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 x No ☐

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

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

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

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

As of October 31, 2023, there were 208,283,925, 7,589,871 and 749,445 of the registrant's Class A, B and exchangeable common stock outstanding, respectively.

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Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" about us and our industry within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts are forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "would," "expect," "plan," "anticipate," "could," "intend," "target," "project," "contemplate," "believe," "estimate," "predict," "potential," or "continue" or the negative of these terms or other similar expressions. Forward-looking statements contained in this report may include without limitation those regarding:

- our research and development programs;
- the initiation, timing, progress, results, and cost of our current and future preclinical and clinical studies, including statements regarding the design of, and the timing of initiation and completion of, studies and related preparatory work, as well as the period during which the results of the studies will become available;
- the ability of our clinical trials to demonstrate the safety and efficacy of our drug candidates, and other positive results;
- the ability and willingness of our collaborators to continue research and development activities relating to our development candidates and investigational medicines;
- future agreements with third parties in connection with the commercialization of our investigational medicines and any other approved product;
- the timing, scope, or likelihood of regulatory filings and approvals, including the timing of Investigational New Drug applications and final approval by the U.S. Food and Drug Administration, or FDA, of our current drug candidates and any other future drug candidates, as well as our ability to maintain any such approvals;
- the timing, scope, or likelihood of foreign regulatory filings and approvals, including our ability to maintain any such approvals;
- the size of the potential market opportunity for our drug candidates, including our estimates of the number of patients who suffer from the diseases we are targeting and potential annual sales;
- our ability to identify viable new drug candidates for clinical development and the rate at which we expect to identify such candidates, whether through an inferential approach or otherwise;
- our expectation that the assets that will drive the most value for us are those that we will identify in the future using our datasets and tools;
- our ability to develop and advance our current drug candidates and programs into, and successfully complete, clinical studies;
- our ability to reduce the time or cost or increase the likelihood of success of our research and development relative to the traditional drug discovery paradigm;
- our ability to improve, and the rate of improvement in, our infrastructure, datasets, biology, technology tools and drug discovery platform, and our ability to realize benefits from such improvements;
- our expectations related to the performance and benefits of our BioHive supercomputer, including our planned expansion of the BioHive supercomputer capabilities;
- our ability to realize a return on our investment of resources and cash in our drug discovery collaborations;
- our ability to integrate acquired businesses with our existing programs and platform and realize a return on acquired assets;
- our ability to leverage datasets acquired through licenses with third parties, including with Tempus, into increased machine learning capabilities, novel genetic associations and mechanisms, innovative therapeutics, or other beneficial outcomes;
- our ability to derive value from our Recursion OS by licensing subsets of data and key tools;
- the ability to construct and apply more and increasingly sophisticated foundation models and large language models across biology, chemistry and translation and to use these models to drive new, better programs into clinical development both in our own pipeline and with our current and future partners at scale;
- our ability to scale like a technology company, including scaling our Recursion OS, and to add more programs to our pipeline each year;
- our ability to successfully compete in a highly competitive market;
- our manufacturing, commercialization and marketing capabilities and strategies;
- our plans relating to commercializing our drug candidates, if approved, including the geographic areas of focus and sales strategy;
- our expectations regarding the approval and use of our drug candidates in combination with other drugs;
- the rate and degree of market acceptance and clinical utility of our current drug candidates, if approved, and other drug candidates we may develop;
- our competitive position and the success of competing approaches that are or may become available;

- our estimates of the number of patients that we will enroll in our clinical trials and the timing of their enrollment;
- the beneficial characteristics, safety, efficacy and therapeutic effects of our drug candidates;
- our plans for further development of our drug candidates, including additional indications we may pursue;
- our ability to adequately protect and enforce our intellectual property and proprietary technology, including the scope of protection we are able to establish and maintain for intellectual property rights covering our current drug candidates and other drug candidates we may develop, receipt of patent protection, the extensions of existing patent terms where available, the validity of intellectual property rights held by third parties, the protection of our trade secrets, and our ability not to infringe, misappropriate or otherwise violate any third-party intellectual property rights;
- the impact of any intellectual property disputes and our ability to defend against claims of infringement, misappropriation, or other violations of intellectual property rights;
- our ability to keep pace with new technological developments;
- our ability to utilize third-party open source software and cloud-based infrastructure, on which we are dependent;
- the adequacy of our insurance policies and the scope of their coverage;
- the potential impact of a pandemic, epidemic, or outbreak of an infectious disease, such as COVID-19, or natural disaster, global political instability or warfare, and the effect of such outbreak or natural disaster, global political instability or warfare on our business and financial results;
- our ability to maintain our technical operations infrastructure to avoid errors, delays, or cybersecurity breaches;
- our continued reliance on third parties to conduct additional clinical trials of our drug candidates, and for the manufacture of our drug candidates for preclinical studies and clinical trials;
- our ability to obtain and negotiate favorable terms of, any collaboration, licensing, or other arrangements that may be necessary or desirable to research, develop, manufacture, or commercialize our platform and drug candidates;
- the pricing and reimbursement of our current drug candidates and other drug candidates we may develop, if approved;
- our estimates regarding expenses, future revenue, capital requirements and need for additional financing;
- our financial performance;
- the period over which we estimate our existing cash and cash equivalents will be sufficient to fund our future operating expenses and capital expenditure requirements;
- our ability to raise substantial additional funding;
- the impact of current and future laws and regulations, and our ability to comply with all regulations that we are, or may become, subject to;
- the need to hire additional personnel and our ability to attract and retain such personnel;
- the impact of any current or future litigation, which may arise during the ordinary course of business and be costly to defend;
- the need to raise additional capital may cause dilution to our stockholders, restrict our operations, require us to relinquish rights to our technologies or drug candidates, and divert management's attention from our core business;
- our anticipated use of our existing resources and the net proceeds from our initial public offering; and
- other risks and uncertainties, including those listed in the section titled "Risk Factors."

We have based these forward-looking statements largely on our current expectations and projections about our business, the industry in which we operate, and financial trends that we believe may affect our business, financial condition, results of operations and prospects. These forward-looking statements are not guarantees of future performance or development. These statements speak only as of the date of this report and are subject to a number of risks, uncertainties and assumptions described in the section titled "Risk Factors" and elsewhere in this report. Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, you should not rely on these forward-looking statements as predictions of future events. The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. Except as required by applicable law, we undertake no obligation to update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, or otherwise.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this report. While we believe such information forms a reasonable basis for such statements, the 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 you are cautioned not to unduly rely upon them.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

Recursion Pharmaceuticals, Inc.
Condensed Consolidated Balance Sheets (unaudited)
(in thousands, except share and per share amounts)

	September 30, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	$ 387,322	$ 549,912
Restricted cash	2,256	1,280
Other receivables	3,164	2,753
Other current assets	17,780	15,869
Total current assets	410,522	569,814
Restricted cash, non-current	7,629	7,920
Property and equipment, net	86,248	88,192
Operating lease right-of-use assets	34,062	33,255
Intangible assets, net	39,459	1,306
Goodwill	52,750	801
Other assets, non-current	155	—
Total assets	$ 630,825	$ 701,288
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	$ 4,265	$ 4,586
Accrued expenses and other liabilities	39,806	32,904
Unearned revenue	43,997	56,726
Notes payable	695	97
Operating lease liabilities	5,355	5,952
Total current liabilities	94,118	100,265
Unearned revenue, non-current	51,383	70,261
Notes payable, non-current	1,126	536
Operating lease liabilities, non-current	44,300	44,420
Deferred tax liabilities	1,931	—
Total liabilities	192,858	215,482
Commitments and contingencies (Note 7)		
Stockholders' equity		
Common stock, $0.00001 par value; 2,000,000,000 shares (Class A 1,989,032,117 and Class B 10,967,883) authorized as of September 30, 2023 and December 31, 2022; 216,313,682 shares (Class A 207,964,366, Class B 7,599,871 and Exchangeable 749,445) and 191,022,864 shares (Class A 183,209,655, Class B 7,813,209 and Exchangeable 0) issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	2	2
Additional paid-in capital	1,312,591	1,125,360
Accumulated deficit	(874,626)	(639,556)
Total stockholders' equity	437,967	485,806
Total liabilities and stockholders' equity	$ 630,825	$ 701,288

See the accompanying notes to these condensed consolidated financial statements.

Recursion Pharmaceuticals, Inc.
Condensed Consolidated Statements of Operations (unaudited)
(in thousands, except share and per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Revenue				
Operating revenue	$ 10,102	$ 13,053	$ 33,252	$ 26,005
Grant revenue	431	107	432	162
Total revenue	10,533	13,160	33,684	26,167
Operating costs and expenses				
Cost of revenue	10,877	15,409	32,706	37,435
Research and development	70,007	40,836	171,744	111,716
General and administrative	29,199	19,488	80,364	61,761
Total operating costs and expenses	110,083	75,733	284,814	210,912
Loss from operations	(99,550)	(62,573)	(251,130)	(184,745)
Other income, net	6,533	2,128	16,060	2,761
Net loss	$ (93,017)	$ (60,445)	$ (235,070)	$ (181,984)
Per share data				
Net loss per share of Class A, B and Exchangeable common stock, basic and diluted	$ (0.43)	$ (0.35)	$ (1.16)	$ (1.06)
Weighted-average shares (Class A, B and Exchangeable) outstanding, basic and diluted	214,327,186	173,435,970	203,090,637	172,122,974

See the accompanying notes to these condensed consolidated financial statements.

Recursion Pharmaceuticals, Inc.
Condensed Consolidated Statements of Comprehensive Loss (unaudited)
(in thousands)

	Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Net loss	$ (93,017)	$ (60,445)	$ (235,070)	$ (181,984)
Unrealized gain on investments	—	197	—	87
Net realized loss on investments reclassified into net loss	—	—	—	39
Other comprehensive income	—	197	—	126
Comprehensive loss	$ (93,017)	$ (60,248)	$ (235,070)	$ (181,858)

See the accompanying notes to these condensed consolidated financial statements.

Recursion Pharmaceuticals, Inc.
Condensed Consolidated Statements of Stockholders' Equity (unaudited)
(in thousands, except share amounts)

	Common Stock (Class A, B and Exchangeable)		Additional Paid-in-Capital	Accumulated Deficit	Accumulated other comprehensive loss	Stockholders' Equity
	Shares	Amount				
Balance as of June 30, 2023	206,737,332	$ 2	$ 1,250,570	$ (781,609)	$ —	$ 468,963
Net loss	—	—	—	(93,017)	—	(93,017)
Stock option exercises and other	2,814,903	—	2,995	—	—	2,995
Stock-based compensation	—	—	16,792	—	—	16,792
Common stock issuance for private placement, net of issuance costs	7,706,363	—	50,000	—	—	50,000
Class A shares and stock options issued for acquisitions	558,605	—	—	—	—	—
Exchangeable shares issued for acquisitions	(1,503,521)	—	(7,766)	—	—	(7,766)
Class A shares issued for exchangeable shares	1,921,693	—	—	—	—	—
Exchangeable shares redeemed	(1,921,693)	—	—	—	—	—
Balance as of September 30, 2023	216,313,682	$ 2	$ 1,312,591	$ (874,626)	$ —	$ 437,967

	Common Stock (Class A, B and Exchangeable)		Additional Paid-in-Capital	Accumulated Deficit	Accumulated other comprehensive loss	Stockholders' Equity
	Shares	Amount				
Balance as of December 31, 2022	191,022,864	$ 2	$ 1,125,360	$ (639,556)	$ —	$ 485,806
Net loss	—	—	—	(235,070)	—	(235,070)
Stock option exercises and other	6,417,024	—	8,789	—	—	8,789
Stock-based compensation	—	—	37,417	—	—	37,417
Common stock issuance for private placement, net of issuance costs	7,706,363	—	50,000	—	—	50,000
Class A shares and stock options issued for acquisitions	7,437,258	—	68,499	—	—	68,499
Exchangeable shares issued for acquisitions	3,730,173	—	22,526	—	—	22,526
Class A shares issued for exchangeable shares	3,148,938	—	—	—	—	—
Exchangeable shares redeemed	(3,148,938)	—	—	—	—	—
Balance as of September 30, 2023	216,313,682	$ 2	$ 1,312,591	$ (874,626)	$ —	$ 437,967

See the accompanying notes to these condensed consolidated financial statements.

Recursion Pharmaceuticals, Inc.
Condensed Consolidated Statements of Stockholders' Equity (unaudited)
(in thousands, except share amounts)

	Common Stock (Class A, B and Exchangeable)		Additional Paid-in-Capital	Accumulated Deficit	Accumulated other comprehensive loss	Stockholders' Equity
	Shares	Amount				
Balance as of June 30, 2022	172,815,409	$ 2	$ 959,393	$ (521,619)	$ (197)	$ 437,579
Net loss	—	—	—	(60,445)	—	(60,445)
Other comprehensive gain	—	—	—	—	197	197
Stock option exercises and other	1,257,497	—	1,794	—	—	1,794
Stock-based compensation	—	—	8,909	—	—	8,909
Balance as of September 30, 2022	174,072,906	$ 2	$ 970,096	$ (582,064)	$ —	$ 388,034

	Common Stock (Class A, B and Exchangeable)		Additional Paid-in-Capital	Accumulated Deficit	Accumulated other comprehensive loss	Stockholders' Equity
	Shares	Amount				
Balance as of December 31, 2021	170,272,462	$ 2	$ 943,142	$ (400,080)	$ (126)	$ 542,938
Net loss	—	—	—	(181,984)	—	(181,984)
Other comprehensive loss	—	—	—	—	126	126
Stock option exercises and other	3,800,444	—	6,740	—	—	6,740
Stock-based compensation	—	—	20,214	—	—	20,214
Balance as of September 30, 2022	174,072,906	$ 2	$ 970,096	$ (582,064)	$ —	$ 388,034

See the accompanying notes to these condensed consolidated financial statements.

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

	Nine months ended September 30,	
	2023	**2022**
Cash flows from operating activities		
Net loss	$ (235,070)	$ (181,984)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	16,849	8,542
Stock-based compensation	37,417	20,214
Fixed asset impairment	1,188	2,806
Lease expense	6,014	5,747
Other, net	(1,114)	377
Changes in operating assets and liabilities:		
Other receivables and assets	(1,334)	(5,574)
Unearned revenue	(33,360)	123,995
Accounts payable	(670)	1,072
Accrued development expense	391	3,696
Accrued expenses and other current liabilities	3,936	(12,740)
Operating lease liabilities	(7,950)	(4,927)
Net cash used in operating activities	(213,703)	(38,776)
Cash flows from investing activities		
Net cash and restricted cash acquired in the acquisition of a business	1,915	—
Purchases of property and equipment	(9,888)	(29,080)
Purchase of an intangible asset	(247)	(300)
Sales and maturities of investments	480	230,608
Net cash provided by (used in) investing activities	(7,740)	201,228
Cash flows from financing activities		
Proceeds from private placement of stock	50,000	—
Proceeds from equity incentive plans	9,546	7,156
Repayment of long-term debt	(72)	(67)
Net cash provided by financing activities	59,474	7,089
Effect of exchange rate changes on cash, cash equivalents and restricted cash	64	—
Net change in cash, cash equivalents and restricted cash	(161,905)	169,541
Cash, cash equivalents and restricted cash, beginning of period	559,112	295,349
Cash, cash equivalents and restricted cash, end of period	$ 397,207	$ 464,890
Supplemental schedule of non-cash investing and financing activities		
Issuance of shares for the acquisitions of businesses	$ 91,025	$ —
Accrued property and equipment	—	3,093
Right-of-use asset additions and modifications	4,324	3,950
Financed equipment purchase	1,214	—
Supplemental schedule of cash flow information		
Cash paid for operating leases	$ 7,950	$ 4,927
Cash paid for interest	36	42

See the accompanying notes to these condensed consolidated financial statements.

Recursion Pharmaceuticals, Inc.
Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1. Description of the Business

Recursion Pharmaceuticals, Inc. (Recursion, the Company, we or our) was originally formed as a limited liability company on November 4, 2013 under the name Recursion Pharmaceuticals, LLC. In September 2016, the Company converted to a Delaware corporation and changed its name to Recursion Pharmaceuticals, Inc.

Recursion is a clinical stage TechBio company decoding biology to industrialize drug discovery. The Recursion Operating System (OS), a platform built across diverse technologies, enables the Company to map and navigate trillions of biological and chemical relationships within the Recursion Data Universe, one of the world's largest proprietary biological and chemical datasets. The Company integrates physical and digital components as iterative loops of atoms and bits scaling wet lab biology and chemistry data organized into virtuous cycles with computational tools to rapidly translate *in silico* hypotheses into validated insights and novel chemistry.

As of September 30, 2023, the Company had an accumulated deficit of $874.6 million. The Company expects to incur substantial operating losses in future periods and will require additional capital to advance its drug candidates. The Company does not expect to generate significant revenue until the Company successfully completes significant drug development milestones with its subsidiaries or in collaboration with third parties, which the Company expects will take a number of years. In order to commercialize its drug candidates, the Company or its partners need to complete clinical development and comply with comprehensive regulatory requirements. The Company is subject to a number of risks and uncertainties similar to those of other companies of the same size within the biotechnology industry, such as the uncertainty of clinical trial outcomes, uncertainty of additional funding and a history of operating losses.

The Company has funded its operations to date primarily through the issuance of convertible preferred stock and the issuance of Class A common stock (see Note 8, "Common Stock" for additional details). Additionally, we have received payments from our strategic partnerships (see Note 9, "Collaborative Development Contracts" for additional details). Recursion will likely be required to raise additional capital. As of September 30, 2023, the Company did not have any unconditional outstanding commitments for additional funding. If the Company is unable to access additional funds when needed, it may not be able to continue the development of its products or the Company could be required to delay, scale back or abandon some or all of its development programs and other operations. The Company's ability to access capital when needed is not assured and, if not achieved on a timely basis, could materially harm its business, financial condition and results of operations.

Recursion believes that the Company's existing cash and cash equivalents will be sufficient to fund the Company's operating expenses and capital expenditures for at least the next 12 months.

Note 2. Basis of Presentation

Basis of Presentation

The unaudited interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (SEC). Accordingly, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP) have been condensed or omitted. These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes for the year ended December 31, 2022.

It is management's opinion that these condensed consolidated financial statements include all normal and recurring adjustments necessary for a fair presentation of the Company's financial statements. Revenue and net loss for any interim period are not necessarily indicative of future or annual results.

Recent Accounting Pronouncements

New accounting pronouncements are routinely issued by the Financial Accounting Standards Board (FASB) or other standard setting bodies and adopted by Recursion as of the specified effective date. The Company does not expect

the impact of recently issued standards that are not yet effective will have a material impact on its condensed consolidated financial statements and disclosures.

Note 3. Supplemental Financial Information

Property and Equipment

(in thousands)	September 30, 2023	December 31, 2022
Lab equipment	$ 58,790	$ 47,524
Leasehold improvements	45,791	41,872
Office equipment	22,098	20,164
Construction in progress	416	8,747
Property and equipment, gross	127,095	118,307
Less: Accumulated depreciation	(40,847)	(30,115)
Property and equipment, net	$ 86,248	$ 88,192

Depreciation expense on property and equipment was $4.2 million and $11.7 million during the three and nine months ended September 30, 2023, respectively, and $2.9 million and $8.3 million during the three and nine months ended September 30, 2022, respectively. The Company recorded an impairment of $1.2 million and $2.8 million during the nine months ended September 30, 2023 and 2022, respectively, related to construction projects for leasehold improvements as the Company no longer intended to use them. The impairments were recorded in “General and Administrative” in the Condensed Consolidated Statements of Operations.

For the nine months ended September 30, 2023, the Company initiated and completed a project to upgrade the BioHive supercomputer for $1.7 million. The supercomputer was classified as office equipment in the above table. The increase in lab equipment from the prior year was driven by the completion of several labs in the headquarters expansion. The majority of the balance was included in construction in progress in the prior year.

Accrued Expenses and Other Liabilities

(in thousands)	September 30, 2023	December 31, 2022
Accrued compensation	$ 22,231	$ 20,433
Accrued development expenses	3,763	3,372
Accrued early discovery expenses	2,936	3,192
Materials received not invoiced	3,516	2,028
Accrued other expenses	7,360	3,879
Accrued expense and other liabilities	$ 39,806	$ 32,904

Notes Payable

In January 2023, the Company entered into a financing agreement for borrowing $1.9 million as part of the supercomputer upgrade project. The debt will be repaid over a three-year period at a 7% interest rate. As of September 30, 2023, the outstanding balance was $1.3 million.

In 2018, the Company borrowed $992 thousand, which was available as part of a lease agreement for use on tenant improvements. The note will be repaid over a 10-year period at an 8% interest rate. As of September 30, 2023, the outstanding balance was $561 thousand.

Interest Income, net

(in thousands)	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Interest income	$ 4,977	$ 1,833	$ 14,594	$ 2,572
Interest expense	(25)	(13)	(71)	(42)
Interest income, net	$ 4,952	$ 1,820	$ 14,523	$ 2,530

For the three and nine months ended September 30, 2023 and 2022, interest income primarily related to earnings on cash and cash equivalents in money market funds. Interest income was included in “Other income, net” on the Condensed Consolidated Statements of Operations.

Note 4. Acquisitions

Results of operations of acquired companies are included in the Recursion results of operations as of the respective acquisition dates. The purchase price of each acquisition is allocated to the net assets acquired based on estimates of their fair values at the date of acquisition. Any purchase price in excess of these net assets is recorded as goodwill. The allocation of purchase price in certain cases may be subject to revision based on the final determination of fair values during the measurement period, which may be up to one year from the acquisition date.

Valence Discovery Inc.

On May 16, 2023, Recursion acquired all of the outstanding equity interests in Valence Discovery Inc. (Valence), a privately-held machine learning (ML) / artificial intelligence (AI) digital chemistry company. The integration of Valence’s AI-based chemistry engine into Recursion’s operating system will allow Recursion to expand its technology-enabled drug discovery process. This will accelerate Recursion’s digital chemistry capabilities and its drug discovery process.

The acquisition of Valence was accounted for as a business combination using the acquisition method of accounting. The aggregate upfront consideration for the acquisition of Valence consisted of 2,168,020 shares of Recursion Class A common stock, 4,390,939 shares of a subsidiary of Recursion, exchangeable for shares of Recursion’s Class A common stock, 792,011 shares issuable upon exercise of stock options held by Valence equity award holders and deferred liabilities for additional consideration. An insignificant number of the aforementioned shares of consideration had not yet been issued as of September 30, 2023.The final number of shares to be issued has not yet been finalized and so are subject to change.

The following table summarizes total consideration:

(in thousands)	
Fair value of Recursion Class A common stock	$ 11,122
Fair value of Exchangeable stock	22,526
Fair value of equity awards issued to Valance equity award holders	1,933
Deferred liabilities for additional consideration	358
Total consideration	$ 35,939

The following table summarizes the fair value of assets acquired and liabilities assumed as of the acquisition date:

(in thousands)		
Cash	$	4,235
Other receivables		485
Intangible asset - technology		15,000
Accounts payable and accrued liabilities		(872)
Deferred income taxes		(2,892)
Total identifiable net assets	$	15,956
Goodwill		19,983
Total assets acquired and liabilities assumed	$	35,939

The intangible asset related to Valence's ML and AI digital chemistry platform. The estimated fair value of the intangible asset was determined using a cost approach. This valuation technique provides the fair value of an asset based on estimates of the total costs to develop the technology. Significant inputs used to determine the total cost includes the length of time required and service hours performed by Company employees. The technology intangible asset is being amortized on a straight-line basis over its four-year useful life.

Goodwill was calculated as the excess of the consideration transferred over the net assets recognized. The goodwill recognized represents the assembled workforce and expected synergies, including the ability to: (i) leverage Valence's digital chemistry platform across Recursion's business; (ii) leverage Valence's ML and AI capabilities; (iii) integrate Recursion's data and operating system into Valence's platform; and (iv) accelerate Recursion's pipeline. Goodwill was also impacted by the establishment of a deferred tax liability for the acquired identifiable intangible assets which have no tax basis. The goodwill is not deductible for tax purposes.

Subsequent to the acquisition date, the Company made certain adjustments to decrease the fair value of consideration transferred by $7.8 million, which also resulted in a decrease to goodwill of $7.8 million. These adjustments have been reflected in the tables above. The Company made these adjustments to reflect facts and circumstances that existed as of the acquisition date and did not result from intervening events subsequent to such date. These adjustments did not have a material impact on Recursion's results of operations.

Recursion's condensed consolidated statement of operations included no net revenue and an immaterial operating loss associated with Valence's operations. As the acquisition occurred in May 2023, the Company is still finalizing the allocation of the purchase price to the individual assets acquired and liabilities assumed. The allocation of the purchase price included in the current period balance sheet is based on the best estimate of management and is preliminary and subject to change. The primary areas subject to change relate to the valuation of the intangible asset, other receivables and deferred taxes. To assist management in the allocation, the Company engaged external specialists. The Company will finalize the amounts recognized as the information necessary to complete the analysis is obtained. The Company expects to finalize these amounts as soon as possible but no later than one year from the acquisition date.

***Cyclica Inc*.**

On May 25, 2023, Recursion acquired all of the outstanding equity interests in Cyclica Inc. (Cyclica), a privately-held Company that has built a digital chemistry software suite which enables mechanism of action deconvolution and generative chemistry suggestions based on desired targets. Cyclica's platform is expected to enhance the optimization of Recursion's compounds for efficacy while minimizing liabilities through generative machine learning approaches.

The acquisition of Cyclica was accounted for as a business combination using the acquisition method of accounting. The aggregate upfront consideration for the acquisition of Cyclica consisted of 5,706,089 shares of Recursion Class A common stock, cash payments, 1,000,873 shares issuable upon exercise of stock options held by Cyclica equity award holders and deferred liabilities for additional consideration. Approximately 194 thousand of the aforementioned shares of Class A common stock consideration had not yet been issued as of September 30, 2023.

The following table summarizes total consideration:

(in thousands)		
Fair value of Recursion Class A common stock	$	49,415
Cash		6,434
Fair value of equity awards issued to Cyclica equity award holders		6,030
Deferred liabilities for additional consideration		341
Total consideration	$	62,220

The following table summarizes the fair value of assets acquired and liabilities assumed as of the acquisition date:

(in thousands)		
Cash	$	2,429
Restricted cash		1,685
Other receivables		736
Investments		1,000
Other current assets		385
Intangible assets - technology		28,000
Accounts payable and accrued liabilities		(579)
Unearned revenue		(1,754)
Deferred income taxes		(1,443)
Other liabilities, current		(66)
Other liabilities, non-current		(139)
Total identifiable net assets	$	30,254
Goodwill		31,965
Total assets acquired and liabilities assumed	$	62,219

The intangible assets are related to Cyclica's digital chemistry platforms. The estimated fair value of the intangible assets were determined using a cost approach. This valuation technique provides the fair value of an asset based on estimates of the total costs to develop the technology. Significant inputs used to determine the total cost includes the length of time required and service hours performed by Company employees. The technology intangible assets are being amortized on a straight-line basis over their three-year useful lives.

Goodwill was calculated as the excess of the consideration transferred over the net assets recognized. The goodwill recognized represents the assembled workforce and expected synergies, including the ability to: (i) leverage Cyclica's digital chemistry platform across Recursion's business; (ii) leverage Cyclica's ML and AI capabilities; (iii) integrate Recursion's data and operating system into Cyclica's platform; and (iv) accelerate Recursion's pipeline. Goodwill was also impacted by the establishment of a deferred tax liability for the acquired identifiable intangible assets. The goodwill is not deductible for tax purposes.

Recursion's condensed consolidated statement of operations for the nine months ended September 30, 2023 included immaterial net revenue and a $6.0 million operating loss associated with Cyclica's operations. As the acquisition occurred in May 2023, the Company is still finalizing the allocation of the purchase price to the individual assets acquired and liabilities assumed. The allocation of the purchase price included in the current period balance sheet is based on the best estimate of management and is preliminary and subject to change. The primary areas subject to change relate to the valuation of the intangible assets, other receivables and deferred taxes. To assist management in the allocation, the Company engaged external specialists. The Company will finalize the amounts recognized as the information necessary to complete the analysis is obtained. The Company expects to finalize these amounts as soon as possible but no later than one year from the acquisition date.

Pro forma financial information

The following table presents the unaudited pro forma combined results of operations of Recursion, Valence and Cyclica as if the acquisitions had occurred on January 1, 2022:

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Net revenue	$ 10,534	$ 13,478	$ 33,970	$ 26,942
Net loss	(92,553)	(66,836)	(245,391)	(207,131)

The unaudited pro forma financial information was prepared using the acquisition method of accounting and was based on the historical financial information of Recursion, Valence and Cyclica. In order to reflect the occurrence of the acquisition on January 1, 2022 as required, the unaudited pro forma financial information includes adjustments to reflect the incremental amortization expense to be incurred based on the fair values of the identifiable intangible assets acquired, the additional stock compensation expense associated with the issuance of equity compensation related to the acquisitions and the reclassification of acquisition costs incurred during the nine months ended September 30, 2023 to the nine months ended September 30, 2022. The unaudited pro forma financial information is not necessarily indicative of what the consolidated results of operations would have been had the acquisition been completed on January 1, 2022. In addition, the unaudited pro forma financial information is not a projection of the future results of operations of the combined company nor does it reflect the expected realization of any cost savings or synergies associated with the acquisition.

Note 5. Leases

The Company has entered into various long-term real estate leases primarily related to office, research and development and operating activities. The Company's leases have remaining terms from under 1 year to 9 years and some of those leases include options that provide Recursion with the ability to extend the lease term for five years. The options are included in the lease term when it is reasonably certain that the option will be exercised.

For the nine months ended September 30, 2023, Recursion entered into lease modifications resulting in an increase to the right-of-use asset and lease liability of $3.4 million. The modifications had no impact to the Condensed Consolidated Statements of Operations.

In May 2022, the Company entered into a lease agreement for laboratory and office space in Toronto, Ontario with approximately 28,110 square feet (the "Toronto Lease"). This lease was separated into multiple lease components based on the intended use of the portions of the space. For some of those components, the right of use began May 2022 when the control of the assets was obtained. The right of use for the remaining component began June 2023 when the control of the asset was obtained. The Toronto Lease terms for each component are ten years with a five-year renewal option. The Toronto Lease includes provisions for escalating rent payments and a tenant improvement allowance of up to $1.6 million. Total fixed payments are expected to be approximately $11.1 million with additional variable expenses, including building expenses.

See Note 7, "Commitments and Contingencies" for information on the Industry lease.

The components of the lease cost are as follows:

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Operating lease cost	$ 2,024	$ 2,017	$ 6,042	$ 5,801
Variable lease cost	532	102	1,689	772
Short-term lease cost	66	—	107	—
Lease cost	$ 2,622	$ 2,119	$ 7,838	$ 6,573

Lease term and discount rates as of September 30, 2023 were:

(in thousands)	September 30, 2023
Operating leases	
Weighted-average remaining lease term (years)	6.9
Weighted-average discount rate	7.8 %

Maturities of operating lease liabilities as of September 30, 2023 were:

(in thousands)		Operating leases
Remainder of 2023	$	1,750
2024		10,005
2025		10,204
2026		10,332
2027		10,575
Thereafter		24,182
Total lease payments		67,048
Less: imputed interest		(17,393)
Present value of lease liabilities	$	49,655

Note 6. Goodwill and Intangible Assets

Goodwill

The following table summarizes the changes in the carrying amount of goodwill:

(in thousands)		
Balance as of December 31, 2022	$	801
Additions from acquisitions		51,949
Balance as of September 30, 2023	$	52,750

The additions to goodwill relate to the acquisition of Cyclica and Valence during the nine months ended September 30, 2023. See Note 4, “Acquisitions” for additional details. No goodwill impairment was recorded during the three and nine months ended September 30, 2023 and 2022.

Intangible Assets, Net

The following table summarizes intangible assets:

	September 30, 2023			December 31, 2022		
(in thousands)	Gross carrying amount	Accumulated Amortization	Net carrying amount	Gross carrying amount	Accumulated Amortization	Net carrying amount
Definite-lived intangible assets	$ 44,376	$ (5,903)	$ 38,473	$ 1,211	$ (809)	$ 402
Indefinite-lived intangible asset	986	—	986	904	—	904
Intangible assets, net	$ 45,362	$ (5,903)	$ 39,459	$ 2,115	$ (809)	$ 1,306

The definite-lived intangible assets balance increased during the nine months ended September 30, 2023 due to the Company’s acquisitions. See Note 4, “Acquisitions” for additional details on the intangible assets acquired.

Amortization expense was $3.4 million and $5.1 million during the three and nine months ended September 30, 2023, respectively. Amortization expense was $76 thousand and $228 thousand during the three and nine months ended September 30, 2022, respectively. Amortization expense was included in research and development in the Condensed Consolidated Statements of Operations. No indefinite-lived intangible asset impairment charges were recorded during the three and nine months ended September 30, 2023 and 2022.

Note 7. Commitments and Contingencies

Contract Obligations

In the normal course of business, the Company enters into contracts with clinical research organizations, drug manufacturers and other vendors for preclinical and clinical research studies, research and development supplies and other services and products for operating purposes. These contracts generally provide for termination on notice and are cancellable contracts.

Indemnification

The Company has agreed to indemnify its officers and directors for certain events or occurrences, while the officer or director is or was serving at the Company's request in such capacity. The Company purchases directors and officers liability insurance coverage that provides for reimbursement to the Company for covered obligations and this is intended to limit the Company's exposure and enable it to recover a portion of any amounts it pays under its indemnification obligations. The Company had no liabilities recorded for these agreements as of September 30, 2023 and December 31, 2022, as no amounts were probable.

Employee Agreements

The Company has signed employment agreements with certain key employees pursuant to which, if their employment is terminated following a change of control of the Company, the employees are entitled to receive certain benefits, including accelerated vesting of equity incentives.

Legal Matters

In February 2021, the Company entered into a lease agreement for laboratory and office space (the Industry Lease) with Industry Office SLC, LLC (the landlord). In March 2023, the Company sent a letter to the landlord detailing numerous construction delays and irregularities, deficiencies and deviations from applicable structural drawings and/or non-conforming conditions with applicable building codes. On June 23, 2023, the landlord filed a lawsuit against the Company (*Industry Office SLC, LLC v. Recursion Pharmaceuticals, Inc.*, Case No. 230904627) in the Third District Court for Salt Lake County, State of Utah (the Court), alleging anticipatory repudiation and breach of contract. The Plaintiff seeks monetary damages and attorney's fees. In July 2023, the Company filed a motion to dismiss. In September 2023, Recursion was granted its motion to dismiss, and the Court provided the landlord until October 23, 2023, to amend and re-file the dismissed complaint. On October 23, 2023, the landlord filed an amended complaint again alleging anticipatory repudiation, breach of contract, and breach of the implied covenant of good faith and fair dealing (the Amended Complaint), and seeks monetary damages and attorney's fees. On November 6, 2023, the Company filed a motion to dismiss the Amended Complaint. As of September 30, 2023, the Company had no liability recorded for these events as an unfavorable outcome was not probable.

In connection with the Industry Lease, on September 15, 2023, the Company filed claims in the Court against the landlord alleging, among other things, breach of contract and fraudulent misrepresentation (the Counterclaims). On October 6, 2023, the landlord filed an answer and denied the Company's allegations asserted in the Counterclaims. The Company and the landlord are currently engaged in discovery. The Company is unable to estimate the possible damages or range of damages associated with the Counterclaims.

Note 8. Common Stock

Each share of Class A common stock entitles the holder to one vote per share and each share of Class B common stock entitles the holder to 10 votes per share on all matters submitted to a vote of the Company's stockholders. Common stockholders are entitled to receive dividends, as may be declared by the Company's Board of Directors. As of September 30, 2023 and December 31, 2022, no dividends had been declared.

At-The-Market Offering

In August 2023, the Company entered into an Open Market Sales Agreement (the "Sales Agreement") with Jefferies LLC (the "Sales Agent"), to provide for the offering, issuance and sale of up to an aggregate amount of $300.0 million of our Class A common stock from time to time in "at-the-market" offerings. As of September 30, 2023, the Company may sell and issue $300.0 million in Class A common stock. There have been no sales of shares under the agreement as of September 30, 2023. We are not required to sell shares under the Sales Agreement. We will pay the Sales Agent a commission of up to 3% of the aggregate gross proceeds we receive from all sales of our Class A common stock under the Sales Agreement. The Sales Agreement continues until the earlier of selling all shares available under the Sales Agreement or terminated by written notice from either of the parties. The ATM Offering is being made under a prospectus supplement dated August 8, 2023, and related prospectus to be filed with the Securities and Exchange Commission pursuant to our automatically effective shelf registration statement on Form S-3ASR (Registration No. 333-264845).

NVIDIA Private Placement

On July 11, 2023, Recursion entered into a Stock Purchase Agreement for a private placement with NVIDIA Corporation (2023 Private Placement), pursuant to which the Company sold an aggregate of 7,706,363 shares of the Company's Class A common stock at a price of $6.49 per share for net proceeds of approximately $50.0 million.

Valence Acquisition Exchangeable Shares

In May 2023, in connection with the acquisition of Valence, the Company entered into an agreement to issue up to 5,904,827 shares of Class A common stock (the "Exchange Shares"), that may be issued upon exchange, retraction or redemption of exchangeable shares of 14998685 Canada Inc., a corporation governed by the laws of Canada and an indirect wholly-owned subsidiary of Recursion. Each exchangeable share of a subsidiary of Recursion entitles the holder to exchange those shares on a one-for-one basis for Recursion's Class A common stock. The shares are entitled to receive dividends economically equivalent to dividends declared by Recursion, are non-voting and are subject to customary adjustments for stock splits or other reorganizations. In addition, the Company may require all outstanding exchangeable shares to be exchanged into an equal number of Class A common stock upon the occurrence of certain events and at any time following the seventh anniversary of the closing of the Valence acquisition. The exchangeable shares are substantially the economic equivalent of the Class A shares. The Company's calculation of weighted-average shares outstanding includes the exchangeable shares.

2022 Private Placement

In October 2022, Recursion issued 15,336,734 shares of the Company's Class A common stock (the Shares) at a purchase price of $9.80 per share in a private placement (the 2022 Private Placement) to qualified institutional buyers and institutional accredited investors (the Purchasers) for net proceeds of $143.7 million, after deducting fees and offering costs of $6.6 million.

Registration Rights Agreements

Acquisitions
In May 2023, in connection with the acquisition of Valence, the Company entered into a Registration Agreement providing for the registration for resale of the shares of Class A common stock and Exchange Shares issued or issuable in such transaction. A registration statement on Form S-3ASR (File No. 333-272281) was filed to register the resale shares by the Sellers. The agreement must remain effective for a period of not less than three years.

In May 2023, in connection with the acquisition of Cyclica, the Company entered into a Registration Agreement providing for the registration for resale of the shares of Class A common stock issued in such transaction. A prospectus supplement to a registration statement (File No. 333-264845) was subsequently filed in June 2023 to register the resale shares by the Sellers. The agreement must be continuously effective until the earlier of the date

that all shares have been sold thereunder or are able to be publicly sold by relying on Rule 144 of the Securities Act without registration.

NVIDIA Private Placement
In July 2023, in connection with the 2023 Private Placement with NVIDIA, the Company entered into a Registration Rights Agreement providing for the registration for resale of the shares of Class A common stock issued in such transaction. A prospectus supplement to a registration statement (File No. 333-264845) was subsequently filed in August 2023 to register the resale of the shares of Class A common stock by the Purchasers. The Company has agreed to use commercially reasonable efforts to keep the registration statement continuously effective until such date that all Registrable Securities covered by the agreement have been sold. In the event the holders cannot sell their shares due to certain circumstances causing the agreement to be ineffective, the Company must pay each holder of shares outstanding on the date and each month thereafter 1.0% of the aggregate purchase price with the maximum payable amount of 5.0% of the aggregate purchase price. As of September 30, 2023, there was no accrued liability related to this agreement, as it was not probable that a payment would be required.

2022 Private Placement
In October 2022, in connection with the 2022 Private Placement, the Company entered into a Registration Rights Agreement providing for the registration for resale of the shares of Class A common stock issued in such transaction. A prospectus supplement to a registration statement (File No. 333-264845) was subsequently filed in October 2022 to register the resale of the shares of Class A common stock by the Purchasers. The agreement must remain effective until registrable securities covered by the agreement have been publicly sold by the holders or all shares cease to be registrable securities. In the event the holders cannot sell their shares due to certain circumstances causing the agreement to be ineffective, the Company must pay each holder of shares outstanding on the date and each month thereafter 1.0% of the aggregate purchase price paid by the holder without limit until the agreement is cured. As of September 30, 2023, there was no accrued liability related to this agreement, as it was not probable that a payment would be required.

Class A and B Common Shares Authorization

In April 2021, the Company's Board of Directors authorized two classes of common stock, Class A and Class B. The rights of the holders of Class A and B common stock are identical, except with respect to voting and conversion. Each share of Class A common stock is entitled to one vote per share. Each share of Class B common stock is entitled to 10 votes per share and is convertible at any time into one share of Class A common stock.

All Class B common stock is held by Christopher Gibson, Ph.D., the Company's Chief Executive Officer (CEO), or his affiliates. As of September 30, 2023, Dr. Gibson and his affiliates held outstanding shares of Class B common stock representing approximately 28% of the voting power of the Company's outstanding shares. This voting power may increase over time as Dr. Gibson vests in and exercises equity awards outstanding. If all the exchangeable equity awards held by Dr. Gibson had been fully vested, exercised and exchanged for shares of Class B common stock as of September 30, 2023, Dr. Gibson and his affiliates would hold approximately 29% of the voting power of the Company's outstanding shares. As a result, Dr. Gibson will be able to significantly influence any action requiring the approval of Recursion stockholders, including the election of the Board of Directors; the adoption of amendments to the Company's certificate of incorporation and bylaws; and the approval of any merger, consolidation, sale of all or substantially all of the Company's assets, or other major corporate transaction.

Note 9. Collaborative Development Contracts

Roche and Genentech

Description
In December 2021, Recursion entered into a collaboration and license agreement with Roche and Genentech (collectively referred to as Roche). Recursion is constructing, using the Company's imaging technology and proprietary machine-learning algorithms, unique maps of the inferred relationships amongst perturbation phenotypes in a given cellular context with the goal to discover and develop therapeutic small molecule programs in a gastrointestinal cancer indication and in key areas of neuroscience. Roche and Recursion will collaborate to select certain novel inferences with respect to small molecules or targets generated from the Phenomaps for further validation and optimization as collaboration programs. Roche and Recursion may also combine sequencing datasets from Roche with Recursion's Phenomaps and collaborate to generate new algorithms to produce multi-

modal maps from which additional collaboration programs may be initiated. For every collaboration program that successfully identifies potential therapeutic small molecules or validates a target, Roche will have an option to obtain an exclusive license to develop and commercialize such potential therapeutic small molecules or to exploit such target in the applicable exclusive field.

Pricing
In January 2022, Recursion received a $150.0 million non-refundable upfront payment from the Company's collaboration with Roche. Recursion is eligible for additional milestone payments based on performance progress of the collaboration. Each of the Phenomaps requested by Roche and created by Recursion may be subject to either an initiation fee, acceptance fee or both. Such fees could exceed $250.0 million for 16 accepted Phenomaps. In addition, for a period of time after Roche's acceptance of certain Phenomaps, Roche will have the option to obtain, subject to payment of an exercise fee, rights to use outside the collaboration the raw images generated in the course of creating those Phenomaps. If Roche exercises its external use option for all 12 eligible Phenomaps, Roche's associated exercise fee payments to Recursion could exceed $250.0 million. Under the collaboration, Roche may initiate up to 40 programs, each of which, if successfully developed and commercialized, could yield more than $300.0 million in development, commercialization and net revenue milestones for Recursion, as well as tiered royalties on net revenue.

Accounting
This agreement represents a transaction with a customer and therefore is accounted for in accordance with Accounting Standards Codification (ASC) 606. Recursion has determined that it has three performance obligations, one related to gastrointestinal cancer and two in neuroscience. These performance obligations are for performing research and development services for Roche to identify targets and medicines. The performance obligations also include potential licenses related to the intellectual property. The Company concluded that licenses within the contract are not distinct from the research and development services as they are interrelated due to the fact that the research and development services significantly impact the potential licenses. Any additional services are considered customer options and will be considered as separate contracts for accounting purposes.

The Company has determined the transaction price to be $150.0 million, comprised of the upfront payment. Recursion will fully constrain the amounts of variable consideration to be received from potential milestones considering the stage of development and the risks associated with the remaining development required to achieve each milestone. Recursion will re-evaluate the transaction price each reporting period.

The transaction price was allocated to the performance obligations based on the estimated relative stand-alone selling price of each performance obligation as determined using an expected cost plus margin approach. The Company recognizes revenue over time based on costs incurred relative to total expected costs to perform the research and development services. Recursion determined that this method provides a faithful depiction of the transfer of control to the customer. This method of recognizing revenue requires the Company to make estimates of total costs to provide the services required under the performance obligations. Significant inputs used to determine the total costs included the length of time required, service hours performed by Company employees and materials costs. A significant change in these estimates could have a material effect on the timing and amount of revenue recognized in future periods. Recursion has estimated the completion of the performance obligations by 2025.

Bayer AG

Description
In August 2020, the Company entered into a Research Collaboration and Option Agreement (the Bayer Agreement) with Bayer AG (Bayer) for a five-year term pursuant to which the Company and Bayer may initiate approximately 10 research projects related to fibrosis across multiple organ systems, including the lung, liver and heart. Under the agreement, the Company contributed compounds from its proprietary library and Bayer contributed compounds from its proprietary library and will contribute scientific expertise throughout the collaboration. Under each research project, the Company will work with Bayer to identify potential candidates for development. Under the agreement, Bayer has the first option for licenses to potential candidates.

Pricing
In October 2020, the Company received a $30.0 million non-refundable upfront payment. Each such license could potentially result in option exercise fees and development and commercial milestone payments payable to the Company, with an aggregate value of up to approximately $100.0 million (for an option on a lead series) or up to

approximately $120.0 million (for an option on a development candidate), as well as tiered royalties for each such license, ranging from low- to mid-single digit percentages of sales, depending on commercial success.

Accounting
The Company determined that it has one performance obligation under the agreement, which is to perform research and development services for Bayer. Recursion determined the transaction price to be $30.0 million, comprised of the upfront payment. The Company allocated the amount to the single performance obligation. The Company is recognizing revenue over time by measuring progress towards completion of the performance obligation. This method of recognizing revenue requires the Company to make estimates of the total time to provide the services required under the performance obligation. A significant change in these estimates could have a material effect on the timing and amount of revenue recognized in future periods. Recursion has estimated the completion of the performance obligation by 2023.

Additional Revenue Disclosures

Recursion recognized $10.1 million and $33.3 million of operating revenue during the three and nine months ended September 30, 2023, respectively, primarily all of which was included in the unearned revenue balance as of December 31, 2022. Of the revenue recognized during the three and nine months ended September 30, 2022, $2.5 million and $7.5 million, respectively, were included in the unearned revenue balance as of December 31, 2021. Revenue recognized was from upfront payments received at the inception of the related contracts, which decreased the initial unearned revenue recognized. As of September 30, 2023, the Company had $7.9 million of costs incurred to fulfill a contract on its Condensed Consolidated Balance Sheet within “Other current assets.”

Unearned revenue was classified as short-term and long-term on the Condensed Consolidated Balance Sheets based on the Company’s estimate of revenue that will be recognized during the next twelve months.

Note 10. Stock-Based Compensation

In April 2021, the Board of Directors and the stockholders of the Company adopted the 2021 Equity Incentive Plan (the 2021 Plan). Under the 2021 Plan, 16,186,000 shares of Class A common stock were reserved. Additionally, shares were reserved for all outstanding awards under the previous 2016 Plan. The Company may grant stock options, restricted stock units (RSUs), stock appreciation rights, restricted stock awards and other forms of stock-based compensation.

As of September 30, 2023, 8,868,107 shares of Class A common stock were available for grant.

The following table presents the classification of stock-based compensation expense for employees and non-employees within the Condensed Consolidated Statements of Operations:

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	2023	2022	2023	2022
Cost of revenue	$ 2,123	$ 732	$ 4,549	$ 1,560
Research and development	6,579	3,674	13,590	7,404
General and administrative	7,640	4,247	17,861	10,534
Total	$ 16,342	$ 8,653	$ 36,000	$ 19,498

Stock Options

Stock options are primarily granted to executive leaders at the Company, generally vest over four years and expire no later than 10 years from the date of grant.

Stock option activity during the nine months ended September 30, 2023 was as follows:

(in thousands except share data)	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2022	16,154,924	$ 5.10	7.5	$ 67,997
Granted	5,083,268	6.23		
Cancelled	(910,758)	8.54		
Exercised	(3,547,071)	2.19		25,887
Outstanding as of September 30, 2023	16,780,363	$ 5.90	7.2	$ 55,896
Exercisable as of September 30, 2023	9,897,994	$ 4.70	6.5	$ 43,681

The fair value of options granted to employees is calculated on the grant date using the Black-Scholes option valuation model. The weighted-average grant-date fair values of stock options granted during the nine months ended September 30, 2023 and 2022 were $5.64 and $6.57, respectively.

The following weighted-average assumptions were used to calculate the grant-date fair value of stock options:

	Nine months ended September 30,	
	2023	2022
Expected term (in years)	5.8	6.2
Expected volatility	66 %	63 %
Expected dividend yield	—	—
Risk-free interest rate	3.6 %	1.9 %

As of September 30, 2023, $39.6 million of unrecognized compensation cost related to stock options is expected to be recognized as expense over approximately the next two years.

RSUs

Equity awards granted to employees primarily consist of RSUs and generally vest over four years. The weighted-average grant-date fair value of RSUs generally is determined based on the number of units granted and the quoted price of Recursion's common stock on the date of grant.

The following table summarizes Recursion's RSU activity during the nine months ended September 30, 2023:

	Stock units	Weighted-average grant date fair value
Outstanding as of December 31, 2022	6,894,525	$ 8.17
Granted	13,950,469	8.65
Vested	(2,360,411)	4.03
Forfeited	(765,227)	8.27
Outstanding as of September 30, 2023	17,719,356	$ 8.45

The fair market value of RSUs vested was $19.8 million during the nine months ended September 30, 2023. As of September 30, 2023, $141.4 million of unrecognized compensation cost related to RSUs is expected to be recognized as expense over approximately the next four years.

Note 11. Income Taxes

The Company did not record any U.S. income tax expense during the three and nine months ended September 30, 2023 and 2022. The Company has historically incurred operating losses and maintains a full valuation allowance

against its net deferred tax assets. Foreign taxes were insignificant during the three and nine months ended September 30, 2023 and 2022.

Net operating losses (NOLs) and tax credit carry-forwards are subject to review and possible adjustment by the Internal Revenue Service ("IRS") and may become subject to annual limitation due to ownership changes that have occurred previously or that could occur in the future under Section 382 of the Internal Revenue Code, as amended and similar state provisions. These ownership changes may limit the amount of carryforwards that can be utilized annually to offset future taxable income. In general, an ownership change, as defined by Section 382, results from transactions increasing the ownership of certain shareholders or public groups in the stock of a corporation by more than 50% over a three-year period. The Company is conducting a study to assess whether a change of ownership has occurred or whether there have been multiple ownership changes since inception. If the Company has experienced a change of ownership, as defined by Section 382, at any time since inception, utilization of the net operating loss carryforwards or research and development tax credit carryforwards would be subject to an annual limitation under Section 382, which is determined by first multiplying the value of the Company's stock at the time of the ownership change by the applicable long-term tax-exempt rate and then could be subject to additional adjustments, as required. Any limitation may result in expiration of a portion of the net operating loss carryforwards or research and development tax credit carryforwards before utilization. Further, until a study is completed and any limitation is known, no amounts are being presented as an uncertain tax position.

The Company files income tax returns in the United States, Canada, United Kingdom, Utah, California and Massachusetts. The Company is not currently under examination in any of these jurisdictions. The Company is subject to income tax examinations on all federal returns since the 2016 tax return.

Note 12. Net Loss Per Share

For the three and nine months ended September 30, 2023 and 2022, Recursion calculated net loss per share of Class A, Class B and Exchangeable common stock using the two-class method. Basic net loss per share is computed using the weighted-average number of shares outstanding during the period. Diluted net loss per share is computed using the weighted-average number of shares and the effect of potentially dilutive securities outstanding during the period. Potentially dilutive securities consist of stock options and other contingently issuable shares. For periods presented in which the Company reports a net loss, all potentially dilutive shares are anti-dilutive and as such are excluded from the calculation. For the three and nine months ended September 30, 2023 and 2022, the Company reported a net loss and therefore basic and diluted loss per share were the same.

The rights, including the liquidation and dividend rights, of the holders of the Company's Class A, Class B and Exchangeable common stock are substantially identical, except with respect to voting. As a result, the undistributed earnings for each period are allocated based on the contractual participation rights of the Class A, Class B and Exchangeable common shares as if the earnings for the period had been distributed. As the liquidation and dividend rights are identical, the undistributed earnings are allocated on a proportionate basis and the resulting amount per share for Class A, Class B and Exchangeable common stock was the same during the three and nine months ended September 30, 2023 and 2022.

The following tables set forth the computation of basic and diluted net loss per share of Class A, Class B and Exchangeable common stock:

(in thousands, except share amount)	Three months ended September 30, 2023			Nine months ended September 30, 2023		
	Class A	Class B	Exchangeable	Class A	Class B	Exchangeable
Numerator:						
Allocation of undistributed earnings	$ (88,975)	$ (3,313)	$ (729)	$ (222,990)	$ (8,911)	$ (3,169)
Denominator:						
Weighted average common shares outstanding	205,013,368	7,633,893	1,679,925	192,653,702	7,698,790	2,738,145
Net loss per share, basic and diluted	$ (0.43)	$ (0.43)	$ (0.43)	$ (1.16)	$ (1.16)	$ (1.16)

(in thousands, except share amounts)	Three months ended September 30, 2022		Nine months ended September 30, 2022	
	Class A	Class B	Class A	Class B
Numerator:				
Allocation of undistributed earnings	$ (57,685)	$ (2,759)	$ (173,167)	$ (8,817)
Denominator:				
Weighted average common shares outstanding	165,518,152	7,917,818	163,783,626	8,339,348
Net loss per share, basic and diluted	$ (0.35)	$ (0.35)	$ (1.06)	$ (1.06)

The Company excluded the following potential common shares from the computation of diluted net loss per share for the periods indicated because including them would have had an anti-dilutive effect:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Stock based compensation	12,162,449	12,570,320	9,022,502	10,849,853

Note 13. Fair Value Measurements

The fair value hierarchy consists of the following three levels:

- Level 1 — Valuations based on unadjusted quoted prices in active markets for identical assets that the company has the ability to access;
- Level 2 — Valuations based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuations in which all significant inputs are observable in the market; and
- Level 3 — Valuations using significant inputs that are unobservable in the market and include the use of judgment by the company's management about the assumptions market participants would use in pricing the asset or liability.

The Company is required to maintain a cash balance in a collateralized account to secure the Company’s credit cards. Additionally, the Company holds restricted cash related to an outstanding letter of credit issued by J.P. Morgan, which was obtained to secure certain Company obligations relating to tenant improvements. Recursion also holds restricted cash related to a Bill and Melinda Gates Foundation grant.

The following tables summarize the Company's assets and liabilities that are measured at fair value on a recurring basis:

		Basis of fair value measurement		
(in thousands)	September 30, 2023	Level 1	Level 2	Level 3
Assets				
Cash equivalents:				
Money market funds	$ 368,215	$ 368,215	$ —	$ —
Restricted cash	9,885	9,885	—	—
Total assets	$ 378,100	$ 378,100	$ —	$ —

		Basis of fair value measurement		
(in thousands)	December 31, 2022	Level 1	Level 2	Level 3
Assets				
Cash equivalents:				
Money market funds	$ 404,613	$ 404,613	$ —	$ —
Restricted cash	9,200	9,200	—	—
Total assets	$ 413,813	$ 413,813	$ —	$ —

In addition to the financial instruments that are recognized at fair value on the Condensed Consolidated Balance Sheet, the Company has certain financial instruments that are recognized at amortized cost or some basis other than fair value. The carrying amount of these instruments are considered to be representative of their approximate fair values.

The following tables summarize the Company's financial instruments that are not measured at fair value:

	Book values		Fair values	
(in thousands)	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Liabilities				
Current portion of notes payable	$ 695	$ 97	$ 695	$ 97
Notes payable, net of current portion	1,126	536	1,126	536
Total liabilities	$ 1,821	$ 633	$ 1,821	$ 633

Note 14. Subsequent Events

Tempus license

On November 3, 2023, Recursion entered into a five-year license agreement with Tempus Labs, Inc. (Tempus) for access to their patient-centric multimodal oncology data and use rights for therapeutic development purposes. This data will be used to improve the training of Recursion's artificial intelligence and machine learning models and is expected to accelerate Recursion's drug discovery process. Recursion will make annual payments, ranging between $22.0 million and $42.0 million, up to $160.0 million in aggregate, to Tempus in cash or equity.

Supercomputer upgrade

On October 31, 2023 Recursion entered into an agreement to upgrade its Supercomputer (BioHive-1) for approximately $30.0 million.

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

The following is a discussion and analysis of the financial condition of Recursion Pharmaceuticals, Inc. (Recursion, the Company, we, us or our) and the results of operations. This commentary should be read in conjunction with the unaudited Condensed Consolidated Financial Statements and accompanying notes appearing in Item 1, "Financial Statements" and the Company's audited consolidated financial statements and accompanying notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the Annual Report on Form 10-K for the year ended December 31, 2022. This discussion, particularly information with respect to our future results of operations or financial condition, business strategy and plans and objectives of management for future operations, includes forward-looking statements that involve risks and uncertainties as described under the heading "Note About Forward-Looking Statements" in this Quarterly Report on Form 10-Q. You should review the disclosure under the heading "Risk Factors" in the Annual Report on Form 10-K for a discussion of important factors that could cause our actual results to differ materially from those anticipated in these forward-looking statements. We assume no obligation to revise or publicly release any revision to any forward-looking statements contained in this Quarterly Report on Form 10-Q, unless required by law.

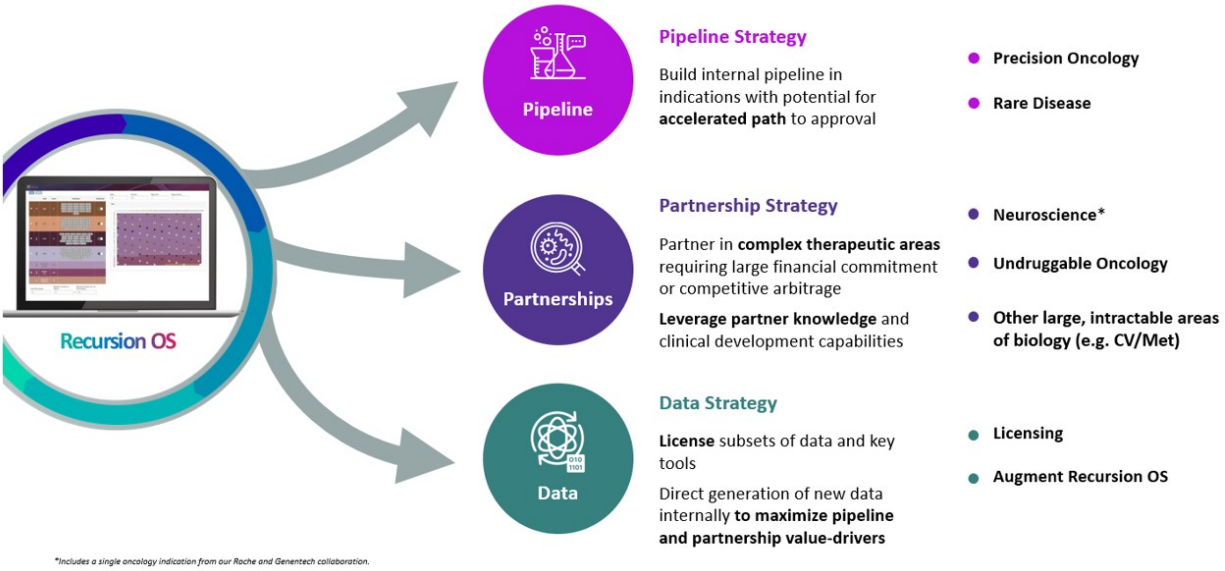
Investors and others should note that we announce material financial and other information to our investors using our investor relations website (https://ir.recursion.com/), SEC filings, press releases, public conference calls and webcasts. We use these channels as well as social media and blogs to communicate with our stakeholders and the public about our company, our services and other issues. It is possible that the information we post on social media and blogs could be deemed to be material information. Therefore, we encourage investors, the media and others interested in our company to review the information we post on the social media channels and blogs listed on our investor relations website. Information contained in, or that can be accessed through, our website is not a part of, and is not incorporated into, this report.

Overview

Recursion is a clinical stage TechBio company leading this burgeoning space by decoding biology and chemistry to industrialize drug discovery. Central to our mission is the Recursion Operating System (OS), a platform built across diverse technologies that enables us to map and navigate trillions of biological and chemical relationships within the Recursion Data Universe, one of the world's largest proprietary biological and chemical datasets. We frame this integration of the physical and digital components as iterative loops of atoms and bits. Scaled 'wet-lab' biology and chemistry data built in-house (atoms) are organized into virtuous cycles with 'dry-lab' computational tools (bits) to rapidly translate *in silico* hypotheses into validated insights and novel chemistry. Our focus on mapping and navigating the complexities of biology and chemistry beyond the published literature and in a target-agnostic way differentiates us from other companies in our space and leads us to confront a fundamental cause of failure for the majority of clinical-stage programs - the wrong target is chosen due to an incomplete and reductionist view of biology. Our balanced team of life scientists and computational and technical experts creates an environment where empirical data, statistical rigor and creative thinking are brought to bear on our decisions.

We leverage our Recursion OS to enable three key value drivers:

1. An expansive **pipeline** of internally-developed clinical and preclinical programs focused on genetically-driven rare diseases and oncology with significant unmet need and market opportunities in some cases potentially in excess of $1 billion in annual sales
2. Transformational **partnerships** with leading biopharma companies to map and navigate intractable areas of biology, identify novel targets and develop potential new medicines that are further developed in resource-heavy clinical trials overseen by our partners
3. Development of one of the largest fit-for-purpose proprietary biological and chemical **datasets** in the world at a time when advances in AI paired with the right training data are creating disruptive value.



Recursion has a portfolio of clinical-stage, preclinical and discovery programs and continues scaling its Recursion OS with more than 200 million total phenomics experiments, multi-timepoint live-cell microscopy, transcriptomics, proteomics, inVivomics, data related to multi-target compound interactions and physicochemical properties, as well as large language model derived disease relevance and target-compound relationships. Data have been generated in-house by the Recursion OS across approximately 50 human cell types, an in-house chemical library of approximately 1.7 million compounds, and an *in silico* library of over 1 trillion small molecules, by a team of approximately 550 Recursionauts that is balanced between life scientists and computational and technical experts. The collaboration with Tempus gives Recursion access to over 20 petabytes of multimodal oncology data. Recursion's in-house data generation and Tempus collaboration will coalesce approximately 50 petabytes of proprietary biology, chemistry, and patient-centric data for the purpose of training causal AI models and designing biomarker and patient stratification strategies for clinical programs.

Summary of Business Highlights

Platform

- **Tempus Collaboration**
  - **Oncology-Focused, Precision Medicine Data:** Tempus has built one of the world's largest oncology-focused clinical and DNA/RNA molecular observational datasets. Our new collaboration with Tempus gives Recursion preferred access to these data. When combined with Recursion's proprietary dataset of over 25 petabytes of interventional biological and chemical data, Recursion will now have approximately 50 petabytes of proprietary data fit for the purpose of machine learning at its disposal, enabling us to improve the training of causal AI/ML models of biology. When applied to our genome-wide reverse genetics platform, these data could facilitate the discovery of novel associations and mechanisms not otherwise identifiable in the clinical and forward genetics data from Tempus. Additionally, this patient-linked data will be used to support translating innovative therapeutics from Recursion's platform directly to patients using novel biomarker and patient stratification strategies.
  - **Terms of the Tempus Collaboration:** Recursion entered into an agreement with Tempus to access its patient-centric data as part of a 5-year licensing agreement. Recursion will make annual payments to Tempus in cash or equity ranging between $22.0 million and $42.0 million each year, up to $160.0 million in aggregate, over the next 5 years in exchange for continued and updated data access and use rights for therapeutic development purposes.
- **Supercomputer Expansion:** We have committed to working with NVIDIA to expand BioHive-1, our on-premise supercomputer. After the expansion, which will be completed in the first half of 2024, BioHive-1 computational capacity will increase by over 4x (adding more than 500 NVIDIA H100 GPUs to the more than 300 NVIDIA A100s already in place). We project that upon completion and benchmarking, BioHive-1 will be in the top 50 most powerful supercomputers in the world across any industry (according to the Top500 list) and will be the most powerful supercomputer owned and operated by any biopharma company. These additional computational resources will continue to support the construction of the largest foundation models across biology and chemistry using Recursion's vast datasets and data generation capabilities as well as tools based on interactive large language models and autonomous agents.
- **Foundation Models:** Our supercomputer expansion is meant to build on the deployment of our first Phenomics Foundation Model, PHENOM-1, which is a vision transformer utilizing hundreds of millions of parameters trained on billions of biological images from our proprietary phenomics library. PHENOM-1 demonstrated the scaling hypothesis within a biological context, namely that larger models trained on more diverse datasets lead to increased performance and emergent properties. With our recent acquisitions of digital chemistry company Cyclica and the deep-learning research team at Valence Discovery (now Valence Labs), the vast patient-centric data from Tempus and our own growing proprietary multi-omic datasets, we anticipate the construction and application of more foundation models and large language models across biology, chemistry and translation. Together, we believe these increasingly sophisticated models will enable us to drive new, better programs into clinical development both in our own pipeline and with our current and future partners at scale.

Pipeline

- **Cerebral Cavernous Malformation (CCM) (REC-994):** Our Phase 2 SYCAMORE clinical trial is a double-blind, placebo-controlled safety, tolerability and exploratory efficacy study of this drug candidate in participants with CCM. This study was fully enrolled as of June 2023 with 62 participants and the vast majority of participants who have thus far finished their first year of treatment have enrolled in the long-term extension study. We expect to share Phase 2 proof-of-concept data in H2 2024.
- **Neurofibromatosis Type 2 (NF2) (REC-2282):** Our Phase 2/3 POPLAR clinical trial is a two part study of REC-2282 in participants with progressive NF2-mutated meningiomas due either to syndromic disease or initiating mutations in the meningiomas. Part 1 of the study is ongoing and is exploring two doses of REC-2282 in approximately 23 adults and 9 adolescents. We expect to share Phase 2 safety, tolerability, pharmacokinetics and preliminary efficacy in H2 2024.
- **Familial Adenomatous Polyposis (FAP) (REC-4881):** Our Phase 2 TUPELO clinical trial is a two part study of REC-4881 in participants with FAP. Evaluation of three dose levels is ongoing, thereafter a dose expansion phase will commence evaluating the recommended Phase 2 dose in approximately 30

participants. We expect to share Phase 2 safety, tolerability, pharmacokinetics and preliminary efficacy in H1 2025.

- **AXIN1 or APC Mutant Cancers (REC-4881):** Our Phase 2 LILAC clinical trial is a biomarker enriched two part study of REC-4881 in participants with unresectable, locally advanced or metastatic cancer with AXIN1 or APC mutations. The study will initiate in late Q4 2023 or early Q1 2024 and will explore the safety and efficacy of REC-4881 across three dose levels in 30-40 participants.
- ***Clostridioides difficile* Infection (REC-3964):** In early September 2023, we announced completion of our Phase 1 clinical trial and reported that REC-3964 had been well tolerated in healthy volunteers with no serious adverse events. We expect to initiate a Phase 2 proof-of-concept study in patients with recurrent *Clostridioides difficile* infection in 2024.
- **RBM39 HR-Proficient Ovarian Cancer:** RBM39 is a novel CDK12-adjacent target identified by the Recursion OS. We believe we can modulate this target to produce a therapeutic effect in HR-proficient ovarian cancer and potentially in other tumor types. This program is in the preclinical stage and IND-enabling studies are progressing.

Partnerships

- **Bayer:** Bayer and Recursion have signed an update to their collaboration around a select set of oncology programs. This decision allows Bayer to leverage Recursion's capabilities to identify novel targets and compounds applicable to traditionally undruggable oncology indications as well as Recursion's access to expansive oncology-focused, patient-centric data from Tempus for their closely partnered programs. Under the amended and restated agreement, Bayer will pay Recursion increased per program milestones which may be up to $1.5 billion for up to 7 oncology programs as well as royalties on net sales. In this oncology-focused collaboration, Recursion will use many of the new tools it has developed since the collaboration was first signed to potentially identify and nominate programs rapidly.
- **Roche-Genentech:** In October 2023, Recursion announced that Roche-Genentech optioned its first partnership program in GI-oncology. This milestone represents a critical step in our joint efforts to initiate and advance new therapeutic programs using Recursion's approach to map and navigate biology and chemistry. In the near-term, there is the potential for option exercises associated with map building or data sharing initiatives as well as option exercises associated with additional partnership programs.

Financing and Operations

We were incorporated in November 2013. On April 20, 2021, we closed our Initial Public Offering (IPO) and issued 27,878,787 shares of Class A common stock at a price of $18.00 per share, raising net proceeds of $462.4 million. Prior to our IPO, we had raised approximately $448.9 million in equity financing from investors in addition to $30.0 million in an upfront payment from our collaboration with Bayer AG (Bayer). In January 2022, we received an upfront payment of $150.0 million from our collaboration with Roche. See Note 9, "Collaborative Development Contracts" to the Condensed Consolidated Financial Statements for additional information on the collaborations. In October 2022, we issued 15,336,734 shares of our Class A common stock at a purchase price of $9.80 per share in the 2022 Private Placement to qualified institutional buyers and institutional accredited investors (the Purchasers) for net proceeds of $143.7 million, after deducting fees and offering costs of $6.6 million. On July 11, 2023, we issued an aggregate of 7,706,363 shares of our Class A common stock at a purchase price of $6.49 per share in the 2023 Private Placement with NVIDIA Corporation for net proceeds of approximately $50.0 million. See Note 8, "Common Stock" to the Condensed Consolidated Financial Statements for additional information on the 2023 Private Placement.

We use the capital we have raised to fund operations and investing activities across platform research operations, drug discovery, clinical development, digital and other infrastructure, creation of our portfolio of intellectual property and administrative support. We do not have any products approved for commercial sale and have not generated any revenues from product sales. We had cash and cash equivalents of $387.3 million as of September 30, 2023. Based on our current operating plan, we believe that our cash and cash equivalents will be sufficient to fund our operations for at least the next twelve months.

Since inception, we have incurred significant operating losses. Our net losses were $93.0 million and $235.1 million during the three and nine months ended September 30, 2023, respectively. Our net losses were $60.4 million and $182.0 million during the three and nine months ended September 30, 2022, respectively. As of September 30, 2023, our accumulated deficit was $874.6 million.

We anticipate that we will need to raise additional financing in the future to fund our operations, including the potential commercialization of any approved product candidates. Until such time, if ever, as we can generate significant product revenue, we expect to finance our operations with our existing cash and cash equivalents, any future equity or debt financings and upfront, milestone and royalty payments, if any, received under current or future license or collaboration agreements. We may not be able to raise additional capital on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, results of operations and financial condition may be adversely affected.

Components of Operating Results

Revenue

Operating revenue is generated through research and development agreements derived from strategic alliances. We are entitled to receive variable consideration as certain milestones are achieved. The timing of revenue recognition is not directly correlated to the timing of cash receipts.

Cost of Revenue

Cost of revenue consists of the Company's costs to provide services for drug discovery required under performance obligations with partnership customers. These primarily include materials costs, service hours performed by our employees and depreciation of property and equipment.

Research and Development

Research and development expenses account for a significant portion of our operating expenses. We recognize research and development expenses as they are incurred. Research and development expenses consist of costs incurred in performing activities including:

- costs to develop and operate our platform;
- costs of discovery efforts which may lead to development candidates, including research materials and external research;
- costs for clinical development of our investigational products;
- costs for materials and supplies associated with the manufacture of active pharmaceutical ingredients, investigational products for preclinical testing and clinical trials;
- personnel-related expenses, including salaries, benefits, bonuses and stock-based compensation for employees engaged in research and development functions;
- costs associated with operating our digital infrastructure; and
- other direct and allocated expenses incurred as a result of research and development activities, including those for facilities, depreciation, amortization and insurance.

We recognize expenses associated with third-party contracted services as they are incurred. Upon termination of contracts with third parties, our financial obligations are generally limited to costs incurred or committed to date. Any advance payments for goods or services to be used or rendered in future research and product development activities pursuant to a contractual arrangement are classified as prepaid expenses until such goods or services are rendered.

General and Administrative

We expense general and administrative costs as incurred. General and administrative expenses consist primarily of salaries; including employee benefits and stock-based compensation. General and administrative expenses also include facilities, depreciation, information technology, professional fees for auditing and tax, legal fees for corporate and patent matters and insurance costs.

Other Income, Net

Other income, net consists primarily of interest earned on cash and cash equivalents.

Results of Operations

The following table summarizes our results of operations:

(in thousands, except percentages)	Three months ended September 30, 2023	Three months ended September 30, 2022	Change $	Change %	Nine months ended September 30, 2023	Nine months ended September 30, 2022	Change $	Change %
Revenue								
Operating revenue	$ 10,102	$ 13,053	$ (2,951)	(23)%	$ 33,252	$ 26,005	$ 7,247	28 %
Grant revenue	431	107	324	>100%	432	162	271	>100%
Total revenue	10,533	13,160	(2,627)	(20)%	33,684	26,167	7,518	29 %
Operating costs and expenses								
Cost of revenue	10,877	15,409	(4,532)	(29)%	32,706	37,435	(4,729)	(13)%
Research and development	70,007	40,836	29,171	71 %	171,744	111,716	60,028	54 %
General and administrative	29,199	19,488	9,711	50 %	80,364	61,761	18,603	30 %
Total operating costs and expenses	110,083	75,733	34,350	45 %	284,814	210,912	73,902	35 %
Loss from operations	(99,550)	(62,573)	(36,977)	59 %	(251,130)	(184,745)	(66,384)	36 %
Other income, net	6,533	2,128	4,405	>100%	16,060	2,761	13,300	>100%
Net loss	$ (93,017)	$ (60,445)	$ (32,572)	54 %	$ (235,070)	$ (181,984)	$ (53,084)	29 %

Summary

Our financial performance during the three and nine months ended September 30, 2023 compared to the prior periods included an increase in research and development costs due to increased platform costs as we have expanded and upgraded our capabilities, additionally for the three and nine months ended September 30, 2022 platform costs decreased due to a reallocation of spending to cost of revenue for our strategic partnerships.

Revenue

The following table summarizes our components of revenue:

(in thousands, except percentages)	Three months ended September 30, 2023	Three months ended September 30, 2022	Change $	Change %	Nine months ended September 30, 2023	Nine months ended September 30, 2022	Change $	Change %
Revenue								
Operating revenue	$ 10,102	$ 13,053	$ (2,951)	(23)%	$ 33,252	$ 26,005	$ 7,247	28 %
Grant revenue	431	107	324	>100%	432	162	271	>100%
Total revenue	$ 10,533	$ 13,160	$ (2,627)	(20)%	$ 33,684	$ 26,167	$ 7,518	29 %

For the three months ended September 30, 2023, the decrease in revenue compared to prior period was due to the timing of workflows from our strategic partnership with Roche. For the nine months ended September 30, 2023, the increase in revenue compared to prior period was due to revenue recognized from our strategic partnership with Roche, which has progressed from primarily cell type evaluation work to inference based Phenomap building and additional cell type evaluation work.

Cost of Revenue

The following table summarizes our cost of revenue:

	Three months ended September 30,		Change		Nine months ended September 30,		Change	
(in thousands, except percentages)	**2023**	**2022**	**$**	**%**	**2023**	**2022**	**$**	**%**
Total cost of revenue	$ 10,877	$ 15,409	$ (4,532)	(29)%	$ 32,706	$ 37,435	$ (4,729)	(13)%

For the three and nine months ended September 30, 2023, the decrease in cost of revenue compared to prior period was due to our strategic partnership with Bayer, for which less brute-force work was required.

Research and Development

The following table summarizes our components of research and development expense:

	Three months ended September 30,		Change		Nine months ended September 30,		Change	
(in thousands, except percentages)	**2023**	**2022**	**$**	**%**	**2023**	**2022**	**$**	**%**
Research and development expense								
Platform	$ 28,908	$ 11,376	$ 17,532	>100%	$ 68,914	$ 27,376	$ 41,538	>100%
Discovery	15,513	12,119	3,394	28 %	45,467	36,878	8,589	23 %
Clinical	18,590	11,927	6,663	56 %	42,591	35,590	7,001	20 %
Stock based compensation	6,748	3,772	2,976	79 %	14,063	7,702	6,361	83 %
Other	248	1,642	(1,394)	(85)%	709	4,170	(3,461)	(83)%
Total research and development expense	$ 70,007	$ 40,836	$ 29,171	71 %	$ 171,744	$ 111,716	$ 60,028	54 %

Significant components of research and development expense include the following allocated by development phase: Platform, which refers primarily to expenses related to screening of product candidates through hit identification; Discovery, which refers primarily to expenses related to hit identification through development of candidates; and Clinical, which refers primarily to expenses related to development of candidates and beyond.

For the three and nine months ended September 30, 2023, the increase in research and development expenses compared to the prior period was due to increased platform costs as we have expanded and upgraded our capabilities in platform including our chemical technology, machine learning and transcriptomics platform. Additionally, for the three and nine months ended September 30, 2022 platform costs decreased due to a reallocation of spending to cost of revenue for our strategic partnerships.

General and Administrative Expense

The following table summarizes our general and administrative expense:

	Three months ended September 30,		Change		Nine months ended September 30,		Change	
(in thousands, except percentages)	**2023**	**2022**	**$**	**%**	**2023**	**2022**	**$**	**%**
Total general and administrative expense	$ 29,199	$ 19,488	$ 9,711	50 %	$ 80,364	$ 61,761	$ 18,603	30 %

For the three and nine months ended September 30, 2023, the increase in general and administrative expense compared to prior period was primarily driven by an increase in salaries and wages of $5.8 million and $10.0 million, respectively, and increases in software and depreciation expense.

Other Income, Net

The following table summarizes our components of other income, net:

	Three months ended September 30,		Change		Nine months ended September 30,		Change	
(in thousands, except percentages)	**2023**	**2022**	**$**	**%**	**2023**	**2022**	**$**	**%**
Interest income	4,977	1,833	3,144	>100%	14,594	2,572	12,022	>100%
Interest expense	(25)	(13)	(12)	87.6 %	(71)	(42)	(29)	69.5 %
Other	1,581	308	1,273	n/m	1,537	231	1,306	n/m
Other income, net	$ 6,533	$ 2,128	$ 4,405	>100%	$ 16,060	$ 2,761	$ 13,299	>100%

n/m = Not meaningful

For the three and nine months ended September 30, 2023, the increase in interest income related to earnings on cash and cash equivalents in money market funds.

Liquidity and Capital Resources

Sources of Liquidity

We have not yet commercialized any products and do not expect to generate revenue from the sales of any product candidates for at least several years. Cash and cash equivalents totaled $387.3 million and $549.9 million as of September 30, 2023 and December 31, 2022, respectively.

We have incurred operating losses and experienced negative operating cash flows and we anticipate that the Company will continue to incur losses for at least the foreseeable future. Our net loss was $93.0 million and $235.1 million during the three and nine months ended September 30, 2023, respectively. Our net loss was $60.4 million and $182.0 million during the three and nine months ended September 30, 2022, respectively. As of September 30, 2023 and December 31, 2022, we had an accumulated deficit of $874.6 million and $639.6 million, respectively.

We have financed our operations through the private placements of preferred stock and Class A common stock issuances. As of September 30, 2023, we have received net proceeds of $448.9 million from the sale of preferred stock and $656.1 million from Class A common stock issuances. See Note 8, “Common Stock” to the Condensed Consolidated Financial Statements for additional details on Class A common stock issuances. Additionally, as of September 30, 2023, we have received proceeds of $180.0 million from our strategic partnerships. See Note 9, “Collaborative Development Contracts” to the Condensed Consolidated Financial Statements for additional details on the collaborations.

Cash Flows

The following table is a summary of the Condensed Consolidated Statements of Cash Flows for each of the periods presented below:

	Nine months ended September 30,	
(in thousands)	**2023**	**2022**
Cash used in operating activities	$ (213,703)	$ (38,776)
Cash provided by (used in) investing activities	(7,740)	201,228
Cash provided by financing activities	59,474	7,089

Operating Activities

Cash used by operating activities increased during the nine months ended September 30, 2023 as a result of an upfront payment of $150.0 million from our strategic partnership with Roche received during the nine months ended September 30, 2022.

Cash used by operating activities during the nine months ended September 30, 2022 included an upfront payment of $150.0 million from our strategic partnership with Roche.

Investing Activities
Cash used by investing activities during the nine months ended September 30, 2023 consisted primarily of purchases of property and equipment of $9.9 million, which included $1.7 million for a project to upgrade the BioHive supercomputer and lab equipment purchases. The cash used was partially offset by $1.9 million of net cash acquired in the acquisition of a business.

Cash provided by investing activities during the nine months ended September 30, 2022 was driven by sales and maturities of investments of $230.6 million, partially offset by purchases of property and equipment of $29.1 million.

Financing Activities
Cash provided by financing activities during the nine months ended September 30, 2023 primarily included proceeds of $50.0 million from the NVIDIA private placement. Financing cash inflows also included proceeds from equity incentive plans of $9.5 million.

Cash provided by financing activities during the nine months ended September 30, 2022 primarily included proceeds from equity incentive plans of $7.2 million.

Critical Accounting Estimates and Policies

A summary of the Company's significant accounting estimates and policies is included in Note 2, "Summary of Significant Accounting Policies" in our 2022 Annual Report. Except as noted below, there were no significant changes in the Company's application of its critical accounting policies during the nine months ended September 30, 2023.

Business Combinations

Results of operations of acquired companies are included in the Recursion results of operations as of the respective acquisition dates. The purchase price of each acquisition is allocated to the net assets acquired based on estimates of their fair values at the date of acquisition. Any purchase price in excess of these net assets is recorded as goodwill. The allocation of purchase price in certain cases may be subject to revision based on the final determination of fair values during the measurement period, which may be up to one year from the acquisition date. Legal costs, due diligence costs, business valuation costs and all other business acquisition costs are expensed when incurred.

Amounts allocated to assets and liabilities are based upon fair value estimates. These fair value estimates could require us to make significant estimates and assumptions, especially with respect to intangible assets. We make estimates of fair value based upon assumptions believed to be reasonable and that of a market participant. These estimates are based on available historical information as well as future expectations and the estimates are inherently uncertain. The use of alternative estimates and assumptions could increase or decrease the estimated fair values, the amounts allocated to identifiable intangible assets acquired, future amortization expense and the value of goodwill.

Recently Issued and Adopted Accounting Pronouncements

See Note 2, "Basis of Presentation" in Item 1 of this Quarterly Report on Form 10-Q for information regarding recently issued and adopted accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk

We are exposed to market risk related to changes in interest rates of our cash and cash equivalents. As of September 30, 2023, our cash and cash equivalents primarily consisted of money market funds. Our primary exposure to market risk is interest income sensitivity, which is affected by changes in U.S. interest rates. A

hypothetical 100 basis point decrease in interest rates as of as of September 30, 2023, would have an insignificant effect on net loss in the ensuring year.

Foreign Currency Exchange Risk

Our employees and our operations are primarily located in the United States and Canada and our expenses are generally denominated in U.S. and Canadian dollars. We also have entered into a limited number of contracts with vendors for research and development services that have underlying payment obligations denominated in foreign currencies. We are subject to foreign currency transaction gains or losses on our contracts denominated in foreign currencies. To date, foreign currency transaction gains and losses have not been material to our financial statements, and we do not have a formal hedging program with respect to foreign currency. A 10% increase or decrease in current exchange rates would not have had a material effect on our financial results during the three and nine months ended September 30, 2023 and 2022.

Inflation Risk and Market Volatility

In recent months, inflation has continued to increase significantly in the U.S. and overseas resulting in rising costs for transportation, wages, construction and other goods and services. Inflation and supply chain disruptions have increased our overall operating expenses. In addition, the capital and credit markets have been experiencing volatility and disruption, which has exerted downward pressure on stock prices and credit capacity. There is no assurance that such markets will be a source of future financing for Recursion, nor that other funding sources would be available or sufficient, particularly if current levels of market disruption and volatility continue or worsen. Although we do not believe that the above conditions have materially changed our overall financial position, if our costs continue to increase, we may not be able to fully offset those increased costs through reduced spending or additional financing efforts and failure to do so could harm our business, financial condition and results of operations.

Item 4. Controls and Procedures.

The Company has established disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act) designed to ensure that information required to be disclosed in the reports that the Company 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 and is accumulated and communicated to management, including the principal executive officer (our Chief Executive Officer) and principal financial officer (our Chief Financial Officer), to allow timely decisions regarding required disclosure. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Evaluation of Disclosure Controls and Procedures

Our management has evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives as management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our disclosure controls and procedures have been designed to provide reasonable assurance of achieving their objectives. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2023, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

As of September 30, 2023, management is in the process of integrating the internal controls of the acquired businesses into Recursion's existing operations as part of planned integration activities. There were no other changes in financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended September 30, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

The Company may, from time to time, be involved in various legal proceedings arising in the normal course of business. An unfavorable resolution of any such matter could materially affect the Company's future financial position, results of operations or cash flows. For more information pertaining to legal proceedings, see Part I, Item 1, Note 7, "Commitments and Contingencies," which is incorporated herein by reference.

Item 1A. Risk Factors.

Investing in our common stock involves a high degree of risk. We do not believe that there have been any material changes to the risk factors previously disclosed in Part I, Item 1A. "Risk Factors" of our 2022 Annual Report and in Part II, Item 1A. "Risk Factors" of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2023.

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

(a) Sales of Unregistered Securities

Private Placement
On July 11, 2023, the Company issued an aggregate of 7,706,363 shares (the Shares) of the Company's Class A common stock at a purchase price of $6.49 per share in connection with the 2023 Private Placement to NVIDIA Corporation for net proceeds of approximately $50.0 million. The sale was made pursuant to the exemption from registration contained in Section 4(a)(2) of the Securities Act. In connection with the Private Placement, the Company and NVIDIA Corporation entered into a registration rights agreement, dated July 11, 2023, providing for the registration for resale of the Shares. A prospectus supplement to a registration statement (File No. 333-264845) was subsequently filed pursuant to Rule 424(b) on August 8, 2023, to register the resale of the Shares by NVIDIA Corporation.

Stock Option Exercises
For the nine months ended September 30, 2023, we issued 146,403 shares of our Class A common stock to our employees, directors, advisors and consultants upon the exercise of stock options under our Key Personnel Incentive Stock Plan for aggregate consideration of approximately $29 thousand. The shares of Class A common stock issued upon the exercise of stock options were issued pursuant to written compensatory plans or arrangements with our employees, directors, advisors and consultants, in reliance on the exemption provided by Rule 701 promulgated under the Securities Act of 1933, as amended, or pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended, relative to transactions by an issuer not involving any public offering, to the extent an exemption from such registration was required. All recipients either received adequate information about our company or had access, through employment or other relationships, to such information.

Item 5. Other Information.

On August 18, 2023, Blake Borgeson, a member of our Board of Directors, adopted a Rule 10b5-1 trading arrangement that is intended to satisfy the affirmative defense of Rule 10b5-1(c) for the sale of up to 745,186 shares of the Company's Class A common stock until November 12, 2024.

On August 24, 2023, Dean Li, a member of the Board of Directors, and his affiliates, adopted a Rule 10b5-1 trading arrangement that is intended to satisfy the affirmative defense of Rule 10b5-1(c) for the sale of up to 155,500 shares of the Company's Class A common stock until November 20, 2024.

Item 6. Exhibits.

Exhibit Index:

		Incorporated by Reference				
Exhibit number	**Description**	**Form**	**File No.**	**Exhibit No.**	**Filing Date**	**Filed / Furnished Herewith**
3.1	Amended and Restated Certificate of Incorporation of Recursion Pharmaceuticals, Inc.	8-K	001-40323	3.1	April 21, 2021	
3.2	Amended and Restated Bylaws of Recursion Pharmaceuticals, Inc.	8-K	001-40323	3.2	April 21, 2021	
4.1	Amended and Restated Investors' Rights Agreement by and among the Registrant and certain of its stockholders, dated September 1, 2020.	S-1/A	333-254576	4.1	April 15, 2021	
4.2	Specimen Class A common stock certificate of the Registrant.	S-1/A	333-254576	4.2	April 15, 2021	
10.1	Stock Purchase Agreement, dated July 11, 2023, by and among the Registrant and NVIDIA.	8-K	001-40323	10.1	July 12, 2023	
10.2	Registration Rights Agreement, dated July 11, 2023, by and among the Registrant and NVIDIA.	8-K	001-40323	10.2	July 12, 2023	
10.3	Open Market Sales Agreement dated August 8, 2023 by and between the Registrant and Jefferies LLC	10-Q	001-40323	10.6	August 8, 2023	
10.4[#]	Master Agreement between the Company and Tempus Labs, Inc dated November 3, 2023.					X
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.					X
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.					X
32.1*	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					X

[#] Certain confidential portions of this Exhibit, marked by brackets and asterisks ([***]), have been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K because the omitted information is both (i) not material and (ii) information that the registrant customarily and actually treats as private or confidential. The Company will furnish supplementally copies of the unredacted exhibit to the Securities and Exchange Commission or its staff upon its request.

* The certifications furnished in Exhibit 32.1 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended. Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Registrant specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized on November 9, 2023.

RECURSION PHARMACEUTICALS, INC.

By: /s/ Christopher Gibson
Christopher Gibson
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Michael Secora
Michael Secora
Chief Financial Officer
(Principal Financial and Accounting Officer)

CERTAIN INFORMATION, MARKED BY BRACKETS AND ASTERISKS [***], HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS BOTH NOT MATERIAL AND IS THE TYPE OF INFORMATION THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL.

TEMPUS

Master Agreement

This Master Agreement (inclusive of all Exhibits and Order Forms, the "Agreement") is entered into by and between Tempus Labs, Inc. (on behalf of itself and its affiliates, "Tempus"), and Recursion Pharmaceutical, Inc. ("Client" or "Recursion"). Tempus and Recursion are each individually a "Party" and are collectively the "Parties."

Background

Tempus is a technology company dedicated to advancing precision medicine through its proprietary products and services. Recursion would like to use Tempus' technology and data as further described in this Agreement.

Agreement

In consideration of the mutual promises described below, the Parties agree as follows:

1. **General**. During the Term, Tempus will provide "Services" and "Deliverables," each to the extent expressly identified in an Exhibit or fully executed Order Form under this Agreement. Tempus will also grant Client a license to certain "Licensed Data" or "Software," also to the extent included in an Exhibit or a fully executed "Order Form." The activities contemplated as of the date of this Agreement are described in the attached Exhibit(s), which may be supplemented by the Parties from time to time. Tempus will perform all Services in a professional and workmanlike manner using personnel appropriately skilled in the art of the requested Services.

2. **Fees**. Client agrees to pay Tempus all fees listed in the applicable Exhibit or Order Form. Invoices under this Agreement are due and payable by Client within thirty (30) days of the invoice date. Interest will apply to any undisputed, overdue invoices at a rate of the lesser of (a) 1.0% per month, and (b) the highest rate permitted by applicable law. Client is responsible for payment of any taxes arising out of or related to this Agreement.

3. **Insurance**. During the Term, each Party will maintain the following insurance at its own expense: (i) commercial general liability insurance with limits not less than $1 million per occurrence and $3 million annual aggregate; (ii) professional liability/errors and omissions insurance with limits not less than $1 million per occurrence and $2 million annual aggregate; and (iii) workers' compensation insurance at statutory limits (minimum $500,000). The insurance required above may be maintained through umbrella and/or self-insurance.

4. **Research Use Only**. Client agrees that unless otherwise specified in the applicable Exhibit or Order Form, information provided by Tempus under this Agreement is for research use and, as expressly set for herein, other Permitted Uses only. Client also agrees that: (a) Tempus does not recommend, endorse, or make any representation about the efficacy or appropriateness of any therapy, procedure, or treatment described in any report or information made available by Tempus; (b) if reports and information provided by Tempus are reviewed by a treating clinician, that clinician (and not Tempus) is responsible for decisions regarding patient care; and (c) Client is solely responsible for its use of reports and information made available by Tempus. All information and reports provided by Tempus are subject to any notes, explanations, limitations, and disclaimers included therein.

5. **Client's Policies**. Because Client is in the best position to interpret and apply its requirements and those of its affiliates, Client agrees that Client is solely responsible for complying with all such

policies, rules, guidelines, and similar requirements, including, where applicable, requirements that govern research subject consent; the collection, processing, transfer, analysis, use, and storage of research subject specimens and data; and similar laws and regulations that apply to Client or its affiliates (collectively, "Client Requirements"). Client will only provide specimens and data to Tempus to the extent such transfer, and Tempus' use of the specimens and data in accordance with this Agreement, complies with Client Requirements. Tempus disclaims any responsibility and liability for any breach of Client Requirements.

6. Privacy, Confidentiality, and Intellectual Property.

a. *Privacy*. If Client provides Tempus with protected health information (as defined in the Health Insurance Portability and Accountability Act of 1996 and its implementing regulations ("HIPAA")) ("PHI") under this Agreement, the Parties will enter into a business associate agreement, which will be deemed incorporated into this Agreement.

b. *Non-disclosure*. Any non-public information provided by a Party (the "Disclosing Party") to the other Party (the "Receiving Party") in connection with this Agreement, including specific terms and pricing, is the Disclosing Party's "Confidential Information." During the Term and the subsequent three (3) year period, the Receiving Party will maintain all Confidential Information in confidence and use it only as reasonably necessary to perform its obligations and exercise its rights under this Agreement. Confidential Information excludes information that (i) is publicly available through no fault of the Receiving Party or anyone to whom the Receiving Party made such information available; (ii) was lawfully obtained by the Receiving Party on a non-confidential basis from a third party; (iii) the Receiving Party can conclusively demonstrate was legally in its possession before the Disclosing Party provided it to the Receiving Party; or (iv) was independently developed by the Receiving Party or on its behalf without the use of any information provided to the Receiving Party by the Disclosing Party. In addition and notwithstanding anything to the contrary, the De-Identified Data (defined below) and any aggregated or otherwise de-identified data stored in Tempus' technology platform is not Client's Confidential Information under this Agreement.

c. *Intellectual Property*. Except to the extent expressly stated otherwise, this Agreement does not grant either Party a license to or any right in the other Party's intellectual property. Without limiting the generality of the foregoing, Tempus reserves all rights in Tempus Materials, during the Term and otherwise. "Tempus Materials" means any data, technology, software, formulas, techniques or know-how and other tangible and intangible items that are owned or created by Tempus, and "Recursion Materials" means any data, technology, software, formulas, techniques or know-how and other tangible and intangible items that are owned or created by Recursion. Tempus will be and remain, at all times, the sole owner of the Tempus Materials, including any replacements, improvements, updates, enhancements, derivative works, and other modifications to the same. Recursion will be and remain, at all times, the sole owner of the Recursion Materials, including any replacements, improvements, updates, enhancements, derivative works, and other modifications to the same. Recursion will also own its copy of items provided under this Agreement that are expressly described as Deliverables in the applicable Exhibit or Order Form. For clarification, Licensed Data shall be considered Tempus Materials and never a Deliverable. Tempus Materials shall not include End User Generated Results, as defined in Exhibit 1, or other any other Recursion Materials.

d. *Data*. In service of Tempus' mission to advance precision medicine, Tempus makes use of de-identified data to facilitate innovation in therapies and patient care and to continuously improve its technology, computational and predictive models, and other products and services.

Accordingly, except as stated otherwise in an Exhibit or Order Form, Tempus may retain a de-identified copy of all Deliverables generated by and clinical data made available to Tempus under this Agreement (collectively, the "De-Identified Data"). To the extent necessary, Tempus will de-identify such data in accordance with HIPAA, and for purposes of this Agreement, genomic sequencing data without other identifiers is not considered identifiable. Tempus owns the De-Identified Data and may use and share it for any purposes permitted under applicable law.

7. Indemnification.

a. *Mutual*. Each Party will defend, indemnify, and hold harmless the other Party, its board, officers, employees, suppliers, agents, successors, and assigns from and against any costs, losses, damages, liabilities, expenses, demands and judgments, including court costs and attorney fees (collectively, "Losses") that arise out of a third party claim based on the negligent acts or willful misconduct of the indemnifying Party's employees or agents that directly cause bodily injury or tangible property damage, if the injury or damage directly arises out of performance of this Agreement.

b. *By Tempus*. Tempus will defend, indemnify, and hold Client, its board, officers, employees, suppliers, agents, successors, and assigns harmless from and against any Losses that arise out of a third party claim alleging that the Tempus Materials used in providing the Services or any Software, Licensed Data or Deliverable directly infringes a copyright, a U.S. patent issued as of the Effective Date, or any third party trademark or violates applicable law. Tempus' obligations under this Subsection are Client's sole and exclusive remedy and Tempus' sole obligation for any alleged infringement of intellectual property. Tempus does not have any obligations under this Subsection for claims of infringement or misappropriation based upon or arising out of: (i) any Licensed Data, Deliverable, Software, or Tempus Materials modified without Tempus' approval; (ii) the use of any Licensed Data, Deliverable, Software, or Tempus Materials in combination with materials not provided by Tempus; or (iii) the use of any Licensed Data, Deliverable, Software, or Tempus Materials other than as permitted under this Agreement.

c. *By Client*. Client will defend, indemnify, and hold Tempus, its directors, officers, employees, suppliers, agents, successors, and assigns harmless from and against any Losses that arise out of a third party claim regarding its use of any Services, Software, Licensed Data, or Deliverables.

d. *Process*. The indemnification obligations in this Section are subject to the "Indemnified Party": (i) giving prompt notice to the "Indemnifying Party" of the claim for which indemnification is sought; (ii) reasonably cooperating in its defense; and (iii) granting the Indemnifying Party control over its defense and settlement. Any delay in notice will only excuse the Indemnifying Party's obligations under this Section to the extent its defense of the claim is adversely affected. The Indemnifying Party will not agree to any finding of fault, action, or forbearance by the Indemnified Party without its advance written consent.

8. Limitations. UNDER NO CIRCUMSTANCES WILL EITHER PARTY BE LIABLE FOR ANY SPECIAL, INCIDENTAL, EXEMPLARY, CONSEQUENTIAL, PUNITIVE, OR OTHER INDIRECT DAMAGES SUFFERED BY THE OTHER OR ANY OTHER PERSON ARISING FROM OR RELATED TO THIS AGREEMENT OR ANY SERVICES OR ACTIVITIES HEREUNDER, REGARDLESS OF WHETHER THE PARTY WAS ADVISED OF THE POSSIBILITY OF SUCH DAMAGES OR THEY WERE OTHERWISE FORESEEABLE. IN ADDITION, UNDER NO CIRCUMSTANCES WILL TEMPUS OR CLIENT BE LIABLE FOR ANY INDIVIDUAL CLAIM, OR IN THE AGGREGATE FOR ALL CLAIMS, FOR ANY AMOUNT IN EXCESS OF THE GREATER OF THE FEES PAID BY CLIENT TO TEMPUS

UNDER THIS AGREEMENT OR ONE HUNDRED THOUSAND DOLLARS ($100,000). THE LIMITATIONS SET FORTH IN THIS SECTION DO NOT APPLY TO EITHER PARTY'S PAYMENT OR INDEMNIFICATION OBLIGATIONS. TEMPUS DISCLAIMS ALL WARRANTIES AND REPRESENTATIONS NOT EXPRESSLY SET FORTH IN THIS AGREEMENT.

9. Term and Termination.

a. *Term*. This Agreement is effective as of the Effective Date and will continue until the date that is five (5) years after the Effective Date (the "Term"). Sections 4-10 will survive termination of this Agreement.

b. *Termination*. Either Party may terminate this Agreement if the other has committed a material breach that is not cured to the reasonable satisfaction of the non-breaching Party within thirty (30) days of receipt of written notice from the non-breaching Party. In addition, after the first three (3) years of the Term, Client may terminate this Agreement at its convenience and at any time by providing at least ninety (90) days written notice to the other Party, however, such termination will not apply to any ongoing Order Form(s) unless otherwise mutually agreed by the Parties, and applicable terms of the Agreement will survive until the surviving Order Form(s) are completed or terminated. In the event of such termination for convenience by the Client, Client will pay to Tempus an amount equal to (a) $**[***]** per unique record of Downloaded Data that Client has downloaded prior to termination less (b) the sum of any Annual License Fees paid prior to termination (the "Early Termination Fee"). **[***]**.

c. *Regulatory Changes*. If either Party (the "Noticing Party") determines in good faith that a change in applicable law or regulation, or a change in how a current law or regulation is interpreted, (i) makes any part of this Agreement illegal or unenforceable, or (ii) materially changes the economic benefit or cost of performing this Agreement, then the Noticing Party will provide the other Party with a proposed amendment to this Agreement to address such change. The Parties will negotiate such amendment in good faith. If the Parties are unable to reach agreement within thirty (30) days of the initial notice, this Agreement will continue; provided that provisions materially impacted by the change in law or regulation (or interpretation thereof) shall be null and void, but only if such provisions are severable from the Agreement in a manner that does not materially impact the cost of performance or the economic benefit of the Agreement to either Party; if such condition is not met, the Agreement will terminate upon the expiration of such notice if the parties do not enter into a fully executed amendment addressing the matter. No liability will accrue to either Party for failure to perform under this Agreement during the period between notice under this Subsection and the earlier of (x) any amendment to or termination of this Agreement and (y) the expiration of such thirty (30)-day period.

d. *Termination Upon Bankruptcy, Insolvency and the Like*. Subject to applicable bankruptcy and insolvency laws, if either party (i) ceases the active conduct of business; (ii) voluntarily becomes subject to a bankruptcy or insolvency proceeding under federal or state statute; (iii) has filed against it an involuntary petition for bankruptcy that is not dismissed within sixty (60) days of filing; (iv) becomes insolvent or subject to direct control by a trustee, receiver, or similar authority; or (v) winds up or liquidates its business, voluntarily or otherwise, then the other party may, at its sole option, terminate this Agreement immediately upon written notice to the first party. All rights and licenses granted by Tempus to Client under or pursuant to any section of this Agreement are, and will otherwise be deemed to be, for purposes of Section 365(n) of the U.S. Bankruptcy Code, and other similar laws in any jurisdiction (collectively, with similar laws in which such sections appear, the "Bankruptcy Laws"), nonexclusive licenses of rights to

"intellectual property" as defined under the Bankruptcy Laws. The parties will retain and may fully exercise all of their respective rights and elections under the Bankruptcy Laws. All rights, powers and remedies of the parties as provided herein are in addition to and not in substitution for any and all other rights, powers and remedies now or hereafter existing at law or in equity (including the Bankruptcy Laws) in the event of the commencement of a case by or against the other party under the Bankruptcy Laws.

10. Miscellaneous.

a. *Governing Law and Disputes*. This Agreement will be governed exclusively by the laws of Illinois, without regard to its conflict of law principles. The parties consent to exclusive jurisdiction and venue of the federal and state courts in Cook County, Illinois. The Parties will use good faith efforts to work together to resolve any disputes related to this Agreement, using mutually escalating discussions as needed.

b. *Force Majeure*. Neither Party will be liable for any failure or delay of performance to the extent resulting from a cause outside of its reasonable control, such as natural disaster, strike, fire, pandemic, governmental action, terrorism, or war.

c. *Anti-Corruption*. Neither Party has received or been offered any illegal or improper payment, bribe, kickback, gift, or other item of value from an employee or agent of the other Party in connection with this Agreement. The Parties intend for their relationship and interactions under this Agreement to comply with the following: (i) the federal anti-kickback statute (42 U.S.C. § 1320a-7b(b)) and the associated safe harbor regulations; and (ii) the limitation on certain physician referrals (Stark Law) (42 U.S.C. § 1395nn). Accordingly, no part of any remuneration provided under this Agreement or any other agreement between the Parties is a prohibited payment in exchange for recommending or arranging for the referral of business or the ordering of items or services, or otherwise intended to induce illegal referrals of business.

d. *Exclusion and Debarment*. As of the date of this Agreement and to the best of Tempus' knowledge, neither Tempus nor any Tempus personnel providing Services under this Agreement: (i) have been the subject of a debarment proceeding under 21 U.S.C. § 335a; (ii) are excluded from participation in Medicare, Medicaid, or any other federal or state health care program; or (iii) are the subject of any government investigation that could result in such debarment or exclusion. If Tempus becomes aware of such an event during the Term with respect to Tempus personnel, it will promptly terminate its relationship with the affected personnel or remove them from providing Services to Client. If Tempus becomes aware of such an event with respect to itself during the Term, it will promptly inform Client, and Client may immediately terminate this Agreement.

e. *Notice*. Notice required under this Agreement will be in writing, delivered to the address for each Party listed above, and clearly identifiable as a legal notice. Client will designate its billing contact and invoice address, and any subsequent changes to such information, by email to billing@Tempus.com. All notices to Tempus should be sent to legal@tempus.com.

f. *Binding Effect; Assignment*. This Agreement is binding upon, and will inure to the benefit of, the successors and permitted assigns of the Parties. Either Party may assign its rights and responsibilities under this Agreement to any of its affiliates or in connection with a merger, acquisition, corporate reorganization or sale of all or substantially all of its assets; provided, in the case of such an assignment by Tempus, Tempus provides within reasonable amount of time written notice to Client of any such permitted assignment and the assignee agrees in writing to be

bound by the terms and conditions of this Agreement, including without limitation with respect to permitting Client to download, store, copy, use, compile, display, and access the Licensed Data, in each case in accordance with the rights and licenses set forth herein; and further provided, in the case of such an assignment by Recursion, the assignee agrees in writing to be bound by the terms and conditions of this Agreement, and also provided that Recursion may not assign this Agreement if the assignee is a Top 20 pharmaceutical company based on annual revenues for the trailing 12 months prior to assignment (each, a "Top 20 Pharma Company"), without the prior written consent of Tempus, not to be unreasonably withheld. If Tempus withholds its consent to a proposed assignment of this Agreement by Recursion to a Top 20 Pharma Company, Recursion shall have the right to terminate this Agreement upon thirty (30) days prior written notice to Tempus and payment of the Early Termination Fee, minus a **[***]** discount. Any other purported assignment is void.

g. *Subcontracting*. Tempus may subcontract certain of its rights and obligations under this Agreement. Any Tempus subcontractor is subject to the terms of this Agreement that would otherwise apply to Tempus, and Tempus is responsible for the acts and omissions of its subcontractor to the same extent as it is responsible for its own acts and omissions.

h. *Use of Name and Marks*. To the extent legally required and subject to redaction of information that is not required to be disclosed (e.g., detailed pricing), each Party has the right to make public statements regarding the existence of this Agreement and an accurate description of the Services without the consent of the other Party. Neither Party may use the other Party's name or marks for any other purpose without the other Party's advance written consent. Any approved use of the other Party's logo must be in the approved form and subject to any usage guidelines provided by the other Party.

i. *Relationship of the Parties*. The Parties are independent contractors. This Agreement does not create a partnership, franchise, joint venture, agency, fiduciary, or employment relationship between the Parties.

j. *Entire Agreement; Amendments and Waivers*. This Agreement, which includes all Exhibits and fully executed Order Forms, and amendments, is the entire understanding between the Parties on its subject matter and supersedes all prior or contemporaneous discussions, representations, and agreements, oral or written, between the Parties. Subject to Section 1 of the Agreement, Tempus shall accept any Client purchase orders made in accordance with this Agreement; provided any additional or inconsistent terms or conditions of any such purchase orders or similar standardized form given or received pursuant to this Agreement shall not be binding on Tempus and are hereby excluded. There are no third party beneficiaries to this Agreement. If any provision in this Agreement is held invalid or unenforceable, the remainder of the Agreement will remain enforceable to the fullest extent permitted by law, so long as such change does not materially change the cost or benefit of the Agreement to a Party. Any term or provision of this Agreement may be amended, and the observance of any term of this Agreement may be waived, only by a writing signed by the Parties. Failure to enforce any term of this Agreement is not a waiver. The terms of any Exhibit or fully executed Order Form will supersede the body of this Agreement to the extent necessary to address a direct conflict.

k. *Counterparts*. This Agreement may be executed in any number of counterparts, each of which is deemed an original and all of which taken together constitute the Agreement.

This Agreement is effective as of the date of the last signature by the Parties below (the "Effective Date").

Recursion Pharmaceuticals, Inc.	**Tempus Labs, Inc.**
/s/ Christopher Gibson	/s/ Jim Rogers
Name: Christopher Gibson	Name: Jim Rogers
Title: Chief Executive Officer	Title: Treasurer and Chief Financial Officer
Date: November 3, 2023	Date: November 3, 2023

Exhibit 1
Licensed Data Terms

1. **Definitions**.

a. "Affiliate" means a legal entity that is controlled by or under common control with the Party, where "control" means possession, directly or indirectly, of the power to direct the Party's management or policies, whether through the ownership of voting securities, by contract, or otherwise.

b. "Analytical Services Results" means Results created by Tempus pursuant to an Order Form.

c. "Authorized Users" means employees or contractors of Client or Client's Affiliates who are authorized by Client or Client's Affiliates to access and use the Services or Licensed Data subject to all applicable terms of this Agreement.

d. "Covered Recipient" means a physician licensed to practice in the U.S. or a U.S. teaching hospital.

e. "End User Generated Results" means Results created by Client (including by an Authorized User) based, in whole or in part, on Permitted Uses of Licensed Data.

f. "Licensed Data" means a subset or cohort of Tempus's proprietary database of de-identified clinical and molecular data that is transferred from Tempus to Recursion pursuant to the terms and conditions set forth herein, including Downloaded Data (as defined in Section 4(b) of this Exhibit).

g. "License Term" means (i) with respect to Downloaded Data, the Evaluation Period, and (ii) with respect to other Licensed Data licensed pursuant to Sections 4(c)-(d) of this Exhibit, the duration of time listed in an Order Form during which Client maintains a license to such other Licensed Data.

h. "Payment or Transfer of Value" means a payment or transfer of value as defined in the U.S. Physician Payment Sunshine Act (42 USC § 1320a-7h(e)) and implementing regulations (42 CFR § 403.900 et seq.).

i. "Permitted Uses" means any use allowed under applicable law that is for Client's or its Affiliates' therapeutic product development purposes (including use by Client or its Affiliates in conjunction with a third party collaboration for such purpose, where Recursion is financially at risk (e.g. future payments are contingent) and meaningfully participating in the joint therapeutic product development project) and consistent with this Agreement. Permitted Uses include Client's use of Licensed Data for Client to develop, train, improve, modify, and create derivative works of Client's and its Affiliates' machine learning/artificial intelligence ("AI/ML") models solely for purposes of therapeutic product development ("Models"), Client's development of embeddings data, training data, and test data for the Models (provided such data does not involve any impermissible use, Reproduction, or retention of the Licensed Data), and Client's use, deployment, commercialization or licensing of the Models, in all cases, subject to all terms and limitations of the Agreement. Notwithstanding anything to the contrary, Permitted Uses exclude any use of Licensed Data or Results (collectively, the "Permitted Uses Exclusions"):

    i. to design, develop, or produce any diagnostic product or service (including any algorithmic diagnostic product or service) other than companion diagnostic products or services for therapeutic products under development either by or on behalf of Client or its Affiliates or Client in collaboration with a third party,

ii. in service of a third party collaboration where (a) the primary purpose of such collaboration is to provide access to, or Results from use of, Licensed Data, (b) Client charges a fee or requires any other exchange of value as consideration for access to Licensed Data, or (c) Licensed Data is used by or on behalf of a third party for purposes independent of or unrelated to (i) therapeutic product development purposes by Client, or (ii) a collaboration between a third party and Client on a joint therapeutic product development project, or

iii. to provide services to a third party for its therapeutic product development, pursuant to an arrangement in which Client is compensated primarily on a fee-for-service or similar basis.

The Permitted Uses and Permitted Uses Exclusions will survive termination of the Agreement.

k. "Reproduction" and variations thereof means any reproduction, display, disclosure, or publication of the Licensed Data other than in accordance with the Permitted Uses and all terms of the Agreement. Reproduction and variations thereof also include (i) any copies, excerpts, extracts, or mere translations of the Licensed Data, and (ii) data or information generated through use of a large language model or other AI/ML technology where the end result would allow a user to access or query the Licensed Data directly or would materially serve as a substitute for such access. For clarity, the immediately preceding sentence does not prohibit an Authorized User from accessing or querying downloaded copies of the Licensed Data in the Recursion Environment per Section 4(b) – (c).

l. "Results" means analyses, summaries, reports, visualizations, information, data, applications, models, and software, excluding diagnostic products or services (including diagnostic software and algorithms) other than as expressly permitted under the definition of "Permitted Uses" above, created with or based on Licensed Data during the License Term, including improvements, enhancements modifications, and derivative works thereof, so long as such Results do not represent a Reproduction of the Licensed Data.

2. License Grants.

a. *Licensed Data*. Subject to the terms and conditions herein and the Master Agreement (including payment of all fees), Tempus grants Client a limited, non-exclusive, revocable, non-transferable, right and license, without right of sublicense, which may be exercised through Authorized Users, to download, store, copy, use, compile, display, and access the cohort of Licensed Data, or compilations based upon such Licensed Data, only for Permitted Uses during the License Term. Client will ensure that any Reproduction by Client from the use of Licensed Data (or Reproduction of the Licensed Data itself) will include attribution to Tempus (for example, with Tempus' logo) with respect to the use and involvement of the Licensed Data obtained from Tempus (or its licensors) and any mutually agreed proprietary rights and disclaimer language with respect to the Licensed Data.

b. *Analytical Services*. To the extent documented in an Order Form, Tempus will grant Client a limited, non-exclusive, irrevocable, transferable, perpetual license, with the right to sublicense, to use Analytical Services Results for any lawful purpose.

c. *End User Generated Results*. To the extent Client creates End User Generated Results during the License Term, Client shall own such End User Generated Results and may continue using the End User Generated Results for Permitted Uses following the expiration or termination of the License Term, so long as such End User Generated Results do not Reproduce the Licensed Data.

3. Licensed Data Services. Tempus can provide certain Services to assist Client with using, accessing, and understanding the Licensed Data. Tempus will provide the Licensed Data Services described below in an amount (or for the duration) set forth in an Order Form executed by the parties (unless otherwise specified below):

a. *Technical Services*. Technical Services help Client understand, access, and use the Licensed Data, including training, technical support, implementation guidance, and troubleshooting. Tempus will provide sufficient Technical Services during the Term to enable Recursion to use and access Licensed Data.

b. *Analytical Services*. Analytical Services help Client process, examine, analyze, summarize, visualize, and report on the Licensed Data. Tempus leverages its existing technology and know-how to provide Analytical Services to surface factual insights that already exist within the Licensed Data. TEMPUS WILL NOT PROVIDE ANALYTICAL SERVICES UNDER THIS AGREEMENT UNLESS AND UNTIL APPROVED BY TEMPUS IN A SEPARATE MUTUALLY AGREED UPON WORK ORDER.

c. *Strategic Collaboration Services*. Strategic Collaboration Services are designed to combine the Licensed Data with each Party's existing technology and know-how to identify new technologies, develop new products, and/or bring new products to market. Unlike Technical Services and Analytical Services, Strategic Collaboration Services must be subject to a separate agreement that sets forth, at a minimum, the Parties' respective obligations, any fees associated with the Strategic Collaboration Services, and the Parties' respective intellectual property rights regarding the results of the Strategic Collaboration Services. TEMPUS WILL NOT PROVIDE STRATEGIC COLLABORATION SERVICES UNDER THIS AGREEMENT UNLESS AND UNTIL APPROVED IN A SEPARATE MUTUALLY AGREED UPON WORK ORDER.

4. Implementation of Licensed Data Terms.

a. *Recursion Environment.* Following the Effective Date, Recursion will establish, to the extent not already established, a secure environment (the "Recursion Environment"), which will be subject to industry best-practices technical and administrative security safeguards, to enable Recursion to carry out the Permitted Use activities described in this Exhibit, including accessing the Downloaded Data and for Permitted Uses. Recursion may store data, information, tools, software, and other materials other than the Licensed Data ("Additional Data") in the Recursion Environment to carry out the Permitted Use activities described in this Exhibit. The parties agree that such Additional Data constitutes the Confidential Information of Recursion and Recursion Materials. Recursion is and shall continue to cover all associated costs of the Recursion Environment.

b. *Recursion Right to Download De-Identified Records*. Recursion will license Lens pursuant to a separate Subscription Agreement (see Exhibit 2, attached hereto). Recursion will use Lens to identify de-identified records that may be of interest to Recursion. Recursion will be permitted to download to the Recursion Environment up to a maximum of **[***]** de-identified records at any one time (the "Downloaded Data"). Recursion may not exceed **[***]** downloaded records of Downloaded Data at any one time (the "Downloaded Data Cap"). If Recursion wants to exceed **[***]** records, it must return an equal number of records of Downloaded Data so that the maximum number of records of Downloaded Data in the Recursion Environment at any time does not exceed **[***]**. Additionally, Recursion will not be permitted to access more than an aggregate total of **[***]** unique records of Downloaded Data during the Term (collectively, the "Multi-Modal Record Category"), unless otherwise agreed upon by the Parties. **[***]**. Upon request of Downloaded Data files, Tempus will deliver the requested files as promptly as possible **[***]**. Tempus will provide Client with reasonable filtering parameters that will facilitate compliance with the timeline described in the immediately preceding sentence.

c. *Evaluation Period for De-Identified Records*. Recursion may download Downloaded Data for a period of 180 days from the date of download (the "Evaluation Period"). At the end of the 180-day Evaluation Period, Recursion must either return the Downloaded Data to Tempus or license them pursuant to an Order Form and the terms and conditions set forth herein. In all instances, the License Term for use of the Downloaded Data will terminate upon any termination or expiration of the Agreement.

d. *Transfer of De-Identified Records*. If Recursion elects to license the records, it will be permitted to transfer the files outside of the Recursion Environment and into any other secured repository subject to (i) Tempus' express written consent (such consent not to be unreasonably withheld), and (ii) the terms and conditions set forth herein. Recursion will indicate its interest to license the records by providing written notice to Tempus prior to the expiration of the Evaluation Period. Any de- identified record transferred to Recursion pursuant to this Section shall be considered Licensed Data.

e. *License Term for De-Identified Records*. Subject to the terms of the applicable Order Form and this Agreement, Recursion will be permitted to retain each Licensed Data record it elects to license pursuant to Sections 4(d) of this Exhibit until the later to occur of (i) five years, or (ii) the date on which the applicable Licensed Data record no longer has a regulatory use for a therapeutic in development by Client (the "Licensed Record Term"). At the conclusion of the Licensed Record Term, Recursion will return or destroy the record and all Reproductions thereof and certify such return or destruction in writing.

f. *Maximum Number of De-Identified Records*. During the Term, Recursion will be entitled to license up to a maximum of **[***]** Licensed Data records in the aggregate pursuant to Sections 4(c)-(d). Tempus, in its sole discretion, will determine whether Recursion will be permitted to exceed **[***]** Licensed Data records during the Term.

5. Compensation.

a. *Per De-Identified Record Fee*. For each Licensed Data record licensed pursuant to Sections 4(c)-(d) of this Exhibit, Recursion will pay Tempus an annual license fee **[***]**.

b. *Annual License Fee.* Promptly after the Effective Date, Tempus will invoice Recursion for the first annual license fee hereunder, in an amount equal to $22,000,000 (the "Initial License Fee"). In addition, during the Term, Tempus will invoice Recursion for subsequent annual license fees during the Term, as follows: (i) $22,000,000 on the first anniversary of the Effective Date (ii) $32,000,000 on the second anniversary of the Effective Date and (iii) $42,000,000 on each of the third anniversary of the Effective data and the fourth anniversary of the Effective Date (each such license fee, the "Annual License Fee"). The Initial License Fee and each Annual License Fee shall be payable at Recursion's option either in the form of (x) cash, (y) shares of Class A Common Stock of Recursion, par value of $0.00001 per share ("Recursion Class A Common Stock"), or (z) a combination of cash and shares of Recursion Class A Common Stock in such proportion as is determined by Recursion in its sole discretion; provided that (a) the aggregate number of shares of Recursion Class A Common Stock that Recursion may issue in connection with all payments under this Agreement shall not exceed the Share Maximum and (b) all or any portion of the Initial License Fee or any Annual License fee shall be payable in the Form of Recursion Class A Common Stock only if (i) all representations and warranties of Recursion set forth in Section 5.c. below are true and correct in all material respects (other than representations and warranties that are qualified as to "materiality," which representations and warranties shall be true and correct in all respects) at and as of the date on which such fee is paid as though made on such date, (ii) Recursion has obtained any and all consents, permits, approvals, registrations and waivers necessary for the issuance of such shares of Recursion Class A Common Stock, all of which are in full force and effect, and (iii) Recursion has filed with Nasdaq a Notification Form: Listing of Additional Shares for the listing of such shares of Recursion Class A Common Stock. In the event that all or any portion of the Initial License Fee or any Annual License Fee shall be payable in the form of Recursion Class A Common Stock, Recursion shall, subject to the Share Maximum, issue to Tempus a number of shares of Recursion Class A Common Stock equal to (1) the amount of such fee divided by (2) the VWAP of Recursion Class A Common Stock for the seven (7) Trading Day period ending on the Trading Day immediately preceding (and including) the date that is five (5) business days before the date on which such fee is paid. Any shares of Recursion Class A Common Stock issued to Tempus hereunder shall be delivered via book-entry record through the Transfer Agent and, as soon as practicable thereafter, Recursion shall provide a copy of the records of the Transfer Agent showing Tempus as the owner of such shares of Recursion Class A Common Stock.

For purposes of this Section 5.b., the following terms have the following meanings:

"Share Maximum" means a number of shares of Recursion Class A Common Stock equal to 19.9% of the sum of the total number of shares of Recursion Class A Common Stock and Class B Common Stock of Recursion, par value of $0.00001 per share, collectively, that are outstanding as of (a) the close of business on the date immediately preceding the date of this Agreement or (b) the close of business on the date immediately preceding the date any shares of Recursion Class A Common Stock are issued to Tempus pursuant to this Agreement, whichever is less.

"Trading Day" means any day on which Recursion Class A Common Stock is traded on The Nasdaq Global Select Market, or, if The Nasdaq Global Select Market is not the principal trading market for Recursion Class A Common Stock as such time, then on the principal securities exchange or securities market on which Recursion Class A Common Stock is then traded.

"Transfer Agent" means the transfer agent for the Recursion Class A Common Stock.

"VWAP" means, with respect to any multi-day period, the dollar volume-weighted average price for Recursion Class A Common Stock on the principal securities exchange or securities market on which it is then traded during the period beginning at 9:30:01 a.m., New York time (or such other time as such market publicly announces is the official open of trading) on the first day of such multi-day period and ending at 4:00:00 p.m., New York time (or such other time as such market publicly announces is the official close of trading) on the last day of such multi-day period, as reported by Bloomberg through its "HP" function (set to weighted average) or, if the foregoing does not apply, the dollar volume-weighted average price of Recursion Class A Common Stock in the over-the-counter market on the applicable electronic bulletin board during the period beginning at 9:30:01 a.m., New York time on the first day of such multi-day period and ending at 4:00:00 p.m., New York time on the last day of such multi-day period, as reported by Bloomberg, or, if no dollar volume-weighted average price is reported by Bloomberg for such hours, the average of the highest closing bid price and the lowest closing ask price of Recursion Class A Common Stock of any of the market makers as reported by OTC Markets Group Inc. during such multi-day period. If the VWAP cannot be calculated for multi-day period on any of the foregoing bases, the VWAP shall be the fair market value per share of Recursion Class A Common Stock at the end of such multi-day period as mutually agreed by Tempus and Recursion. If Tempus and Recursion are unable to reach such mutual agreement on the fair market value per share of Recursion Class A Common Stock within twenty (20) days after any amount Recursion has determined to pay in shares of Recursion Class A Common Stock becomes payable, Recursion shall pay such amount to Tempus in cash.

c. *Representations and Warranties of Recursion*. Recursion hereby represents and warrants to Tempus as of the date of this Agreement and as of each date that all or any portion of the Initial License Fee or any Annual License Fee is paid in the form of Recursion Class A Common Stock that:

   i. Any shares of Recursion Class A Common Stock issued to Tempus pursuant to this Section 5 (any such shares actually issued to Tempus pursuant to this Section 5, the "Issued Recursion Shares"), when issued, will be (A) duly and validly authorized, fully paid and nonassessable, (B) will be free and clear of all encumbrances and transfer restrictions imposed by Recursion, except for restrictions imposed by applicable securities laws, and, (C) subject to the accuracy of the representations and warranties of Tempus in Section 5.d. below and compliance by Tempus with applicable federal and state securities laws with respect to such issuance, will be issued in compliance with all applicable federal and state securities laws;

   ii. The issuance of the Issued Recursion Shares will not (A) conflict with or result in a breach or violation of any material agreement or instrument to which Recursion is a party; (B) result in any violation of the provisions of the certificate of incorporation or bylaws of Recursion; or (C) result in any violation of any statute or any judgment, order,

rule or regulation of any court or governmental agency or body, domestic or foreign, having jurisdiction over Recursion or any of its properties;

iii. The issuance of the Issued Recursion Shares requires no consent of, action by or in respect of, or filing with, any person, governmental body, agency, or official, including, without limitation, any consent, action by, or approval of shareholders of the Company, other than (A) filings that have been made pursuant to applicable state securities laws, (B) post-sale filings pursuant to applicable state and federal securities laws, and (C) filings pursuant to the rules and regulations of the Nasdaq Stock Market LLC ("Nasdaq"), each of which Recursion has filed or undertakes to file within the applicable time, and (D) filings required to be made by, or consents or action required to be obtained by, Tempus or its affiliates;

iv. Recursion has timely filed all reports, schedules, forms, statements and other documents required to be filed by Recursion under the Securities Act of 1933, as amended (the "Securities Act"), and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including pursuant to Section 13(a) or 15(d) thereof (collectively, the "SEC Filings"). At the time of filing thereof, the SEC filings complied in all material respects with the requirements of the Securities Act or the Exchange Act, as applicable, and the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC") thereunder;

v. The issued and outstanding shares of Recursion Class A Common Stock are registered pursuant to Section 12(b) of the Exchange Act and are listed for trading on Nasdaq under the symbol "RXRX." Recursion is in compliance with applicable Nasdaq continued listing requirements;

vi. Assuming the accuracy of the representations and warranties of Tempus set forth in Section 5.d. below and compliance by Tempus with applicable federal and state securities laws with respect to such issuance, no registration under the Securities Act is required for the issuance of the Issued Recursion Shares by Recursion to Tempus;

vii. Recursion is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

d. *Private Placement of Recursion Class A Common Stock*. The parties hereto hereby agree that any shares of Recursion Class A Common Stock issuable to Tempus pursuant to this Section 5 will be issued pursuant to one or more exemptions from registration pursuant to Section 4(a)(2) of the Securities Act and/or under Regulation D of the Securities Act and the exemption from qualification under applicable state securities laws. Tempus shall reasonably assist Recursion as may be necessary to comply with the securities and blue sky laws relating to the shares of Recursion Class A Common Stock issuable to Tempus pursuant to this Section 5. In connection with each issuance of shares of Recursion Class A Common Stock pursuant to this Section 5, Tempus represents and warrants as of the time of each such issuance that Tempus (i) is a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act) or an institutional "accredited investor" as that term is defined in Rule 501(a) under Regulation D promulgated pursuant to the Securities Act; (ii) is acquiring such shares for its own account solely for investment purposes and not with a view towards, or for offer or sale in connection with, any distribution or dissemination thereof; (iii) has no present arrangement to sell such shares to or through any person or entity and understands that such shares must be held indefinitely unless such shares are resold pursuant to a registration statement under the Securities Act or an exemption from registration is available; (iv) is a sophisticated investor with the requisite knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of an investment in Recursion, and has the ability to bear the economic risks of its investment in such shares; and (v) understands that such shares may bear one or more legends in substantially the following form and substance:

"THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR UNDER THE SECURITIES LAWS OF ANY STATE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY PROPOSED TRANSFER OR RESALE IS IN COMPLIANCE WITH THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS."

e. *Registration of Recursion Class A Common Stock.*

i. Recursion shall use commercially reasonable efforts to file or cause to be filed a registration statement (the "Registration Statement") under the Securities Act with the SEC (it being agreed that if Recursion is a well-known seasoned issuer as of the filing date, such registration statement shall be an automatic shelf registration statement, or a prospectus supplement to an effective automatic shelf registration statement, that shall become effective upon filing with the SEC pursuant to Rule 462(e) of the Securities Act) providing for the resale by Tempus of all shares of Recursion Class A Common Stock issued with respect to the Initial License Fee or any Annual License Fee, if any, as soon as practicable but in no event later than thirty (30) days after each such issuance. Recursion shall use commercially reasonable efforts to cause each such registration statement to become effective as promptly as possible but in any event within thirty (30) days (or, in the event of a full review, up to ninety (90) days to the extent necessary) following its respective initial filing date and to keep such registration statement effective at all times until all shares registered thereunder have been sold or may be sold without restriction or volume limitation under Rule 144 (the "Effectiveness Period"). Recursion will provide a draft of the Registration Statement to Tempus for review at least five (5) business days in advance of the anticipated initial filing date. In no event shall Tempus be identified as a statutory underwriter in the Registration Statement without its prior written consent. Notwithstanding the foregoing sentence, Recursion may suspend the use of any prospectus included in any registration statements contemplated by this Section 5.e for not more than sixty (60) consecutive days or for a total of not more than ninety (90) days in any twelve (12) month period (an "Allowed Suspension") in the event that Recursion determines in good faith that such suspension is necessary to (A) delay the disclosure of material nonpublic information concerning Recursion, the disclosure of which at the time is not, in the good faith opinion of Recursion, in the best interests of Recursion or (B) amend or supplement any such registration statement or the related prospectus so that such registration statement or prospectus shall not include any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein not misleading in the light of the circumstances under which they were made; provided, that Recursion shall promptly notify Tempus in writing of the commencement of an Allowed Suspension and advise Tempus in writing to cease all sales under such registration statement until the end of the Allowed Suspension.

ii. Recursion shall: (A) advise Tempus by email to legal@tempus.com (1) as promptly as practicable after a Registration Statement or any amendment thereto has been filed with the SEC and when such Registration Statement or any post-effective amendment thereto has become effective other than, in each case, the filing or effectiveness of any amendment or deemed amendment that is made through the filing of any incorporated document; (2) as promptly as practicable of any request by the SEC for amendments or supplements to any Registration Statement or the prospectus included therein or for additional information with respect thereto other than, in each case, for any such request

or such additional information that relates to documents incorporated in any Registration Statement or prospectus; (3) within two (2) trading days after the date of the issuance by the SEC of any stop order suspending the effectiveness of any Registration Statement or the initiation of any proceedings for such purpose; (4) within two (2) trading days after the receipt by Recursion of any notification with respect to the suspension of the qualification of the shares of Recursion Class A Common Stock included therein for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose; and (5) within four (4) trading days after the occurrence of any event that requires the making of any changes in any Registration Statement or prospectus or the documents incorporated therein so that, as of such date, the statements therein are not misleading and do not omit to state a material fact required to be stated therein or necessary to make the statements therein (in the case of a prospectus, in the light of the circumstances under which they were made) not misleading; *provided* that the Company will not have any obligation to advise Tempus pursuant to this clause ii.(A)(5) to the extent that the information is filed with the SEC within such four (4) trading days; and *provided further* that Recursion shall not, when so advising Tempus of such events pursuant to this clause ii.(A)(5), be required to provide Tempus with any material, non-public information regarding Recursion, and (B) with a view to making available to Tempus the benefits of Rule 144 that may, at such times as Rule 144 is available to Tempus, permit Tempus to sell securities of Recursion to the public without registration, Recursion agrees to, for so long as Tempus owns shares of Recursion Class A Common Stock, use commercially reasonable efforts to: (1) make and keep public information available, as those terms are understood and defined in Rule 144 and (2) file with the SEC in a timely manner all reports and other documents required of Recursion under the Securities Act and the Exchange Act so long as Recursion remains subject to such requirements and the filing of such reports and other documents is required for the applicable provisions of Rule 144.

iii. Subject to receipt from Tempus by Recursion and the Transfer Agent of customary representations and other documentation reasonably acceptable to Recursion and the Transfer Agent in connection therewith, Recursion shall remove any legend from the book entry position evidencing the shares of Recursion Class A Common Stock issued hereunder and Recursion will, if required by the Transfer Agent, use its commercially reasonable efforts to cause an opinion of Recursion's counsel be provided, in a form reasonably acceptable to the Transfer Agent to the effect that the removal of such restrictive legends in such circumstances may be effected under the Securities Act, (1) following the time the Registration Statement is declared effective, (2) if such shares have been sold pursuant to Rule 144 or any other applicable exemption from the registration requirements of the Securities Act, or (3) if such shares are eligible for resale under Rule 144(b)(1) or any successor provision without the requirement for Recursion to be in compliance with the current public information requirement under Rule 144 and without volume or manner-of-sale restrictions applicable to the sale or transfer of such Shares. If restrictive legends are no longer required for such shares pursuant to the foregoing, Recursion shall, in accordance with the provisions of this section and within two (2) trading days of any request therefor from Tempus accompanied by such customary and reasonably acceptable representations and other documentation referred to above establishing that restrictive legends are no longer required, use commercially reasonable efforts to deliver to the Transfer Agent irrevocable instructions to make a new, unlegended entry for such book entry shares. Tempus agrees with Recursion that it will only sell shares of Recursion Class A Common Stock pursuant to either the registration requirements of the Securities Act, including any applicable prospectus delivery requirements, or an exemption therefrom, and that if shares are sold pursuant to the Registration Statement, they will be sold in compliance with the plan of distribution set forth therein, and acknowledges that the removal of the restrictive legend from certificates representing shares as set forth above is predicated upon Recursion's reliance upon this understanding.

iv. Recursion agrees to indemnify and hold harmless, to the extent permitted by law, Tempus, its directors, officers, employees, advisors and agents, and each person who

controls Tempus (within the meaning of the Securities Act or the Exchange Act) and each affiliate of Tempus (within the meaning of Rule 405 under the Securities Act) from and against any and all losses, claims, damages, liabilities, costs and out-of-pocket expenses (including, without limitation, any reasonable and documented attorneys' fees and expenses incurred in connection with defending or investigating any such action or claim) ("Losses") that arise out of, are based on or are caused by (A) any untrue or alleged untrue statement of material fact contained in any Registration Statement, prospectus included in any Registration Statement or preliminary prospectus or any amendment thereof or supplement thereto or any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein (in the case of any prospectus or preliminary prospectus or any amendment thereof or supplement thereto, in light of the circumstances under which they were made) not misleading, or (B) subject to the accuracy of the representations and warranties of Tempus in Section 5.d above and compliance by Tempus with applicable federal and state securities laws with respect to the Issued Recursion Shares, any violation by Recursion of the Securities Act, the Exchange Act or any state securities law or any rule or regulation thereunder relating to action or inaction required of Recursion in connection with registration of any Issued Recursion Shares thereunder, except to the extent, but only to the extent, such Losses are based solely upon information regarding Tempus furnished in writing to Recursion by or on behalf of Tempus expressly for use therein or was reviewed and approved in writing by Tempus expressly for use in the Registration Statement.

v. Tempus agrees to indemnify and hold harmless Recursion, its directors and officers and agents and each person who controls Recursion (within the meaning of the Securities Act) against any Losses that arise out of, are based on or are caused by (A) any breach or violation of any representations and warranties of Tempus in Section 5.d above, or any failure by Tempus to comply with applicable federal and state securities laws with respect to the issuance or transfer of any Issued Recursion Shares, (B) any untrue or alleged untrue statement of material fact contained in any Registration Statement, prospectus included in any Registration Statement or preliminary prospectus or any amendment thereof or supplement thereto or any omission of a material fact required to be stated therein or necessary to make the statements therein (in the case of any prospectus or preliminary prospectus or any amendment thereof or supplement thereto, in light of the circumstances under which they were made) not misleading, but only to the extent that such untrue statement or omission is based on information regarding Tempus furnished in writing to Recursion by or on behalf of Tempus expressly for use therein, and (C) the use by Tempus of a prospectus during an Allowed Suspension after Recursion has notified Tempus in writing of such Allowed Suspension. In no event shall the aggregate liability of Tempus under this clause (v) be greater in amount than the dollar amount of the net proceeds received by Tempus upon the sale of the shares issued pursuant to this Agreement giving rise to such indemnification obligation.

6. Use of Licensed Data. The following terms apply to all Licensed Data under this Agreement.

a. *Restrictions*. Client agrees to the following terms on its behalf and on behalf of all Affiliates and Authorized Users:

i. Client will implement rigorous data access controls for Authorized Users. Each Authorized User must acknowledge that the Authorized User has reviewed, understands, and will comply with the terms this Agreement.

ii. Client is responsible for the acts and omissions of all Authorized Users hereunder.

iii. Any Reproduction from the use of Licensed Data (or Reproduction of the Licensed Data itself) must include appropriate attribution to Tempus. Reproduction of Licensed Data requires Tempus' prior written consent, which will not be unreasonably withheld.

iv. Client will not re-identify the Licensed Data as to patient, provider, or practice and will ensure that the Licensed Data is not re-identified. Client will not, and will not permit any third party to, contact any individual whose information may be included in the Licensed Data.

v. Client will maintain a reasonable internal governance procedure that prohibits and is designed to avoid unintentional or inadvertent re-identification.

vi. Client will not remove or alter any notice of confidentiality, copyright, trademark, logo or other notice of ownership, origin, or confidentiality in any report, document, or copy of the Licensed Data.

vii. Client will not access or use Licensed Data for any purpose not permitted by this Agreement.

viii. Client will not re-sell or transfer Licensed Data (or access to Licensed Data) to any third party who is not an Authorized User without prior written permission from Tempus.

ix. Any use of Licensed Data resulting in a cohort of fewer than fifteen (15) research subjects/patients per any three digit zip code range is not permitted.

x. Client will act in an ethical and responsible manner when accessing and using Licensed Data.

xi. Client agrees that Tempus does not endorse any academic, scientific, or public presentations, or abstracts, posters, or manuscripts, and Client will not attempt to indicate any such endorsement.

xii. Client will comply with all applicable laws and industry-standard guidelines when carrying out activities under this Agreement, including securities laws, antitrust laws, HIPAA, the U.S. Food and Drug Administration (FDA) Guidance on Industry-Supported Scientific and Educational Activities, the Federal Food, Drug, and Cosmetic Act and associated regulations, federal and state anti-kickback laws and guidance, the Council of Medical Specialty Societies (CMSS) Code of Interactions with Companies, the American Medical Association Code of Medical Ethics and associated opinions, policies adopted by the FDA relating to industry- sponsored educational activities, the Accreditation Council for Continuing Medical Education (ACCME) Standards for Commercial Support, the Pharmaceutical Research and Manufacturers of America (PhRMA) Code on Interactions with Healthcare Professionals, and the ICMJE Recommendations for publication authorship.

xiii. Client agrees to immediately return Licensed Data at the conclusion of the License Term or termination of the applicable Order Form or this Agreement, subject to the terms contained herein.

b. *Compliance*.

i. The funds provided under this Agreement are not being given in exchange for any explicit or implicit agreement to purchase, prescribe, recommend, influence or provide favorable formulary status for Client's products. This Agreement is not for the purpose of promoting any product, service, or company. Client will not and will ensure that Client's Affiliates and Authorized Users do not, offer any inducements to Tempus, any of its Affiliates, or any health care providers relating to this Agreement.

ii. Tempus acknowledges that any direct or indirect Payments or Transfers of Value to Covered Recipients are subject to transparency reporting requirements, including disclosure on Client's website. Tempus and Client will not, and Client will ensure that

Client's Affiliates do not, knowingly make any indirect or direct Payment or Transfer of Value to a Covered Recipient on behalf of Client in connection with this Agreement without the other Party's consent and prior written approval. Client will report all such Payments or Transfers of Value to U.S. Covered Recipients according to a centrally managed, pre-set rate structure based on a fair market value analysis conducted by Client and in accordance with applicable law. Tempus and Client agree that the license to Licensed Data or any other services or products described in agreements executed contemporaneously with this Agreement do not give rise to or constitute a Payment or Transfer of Value to a Covered Recipient.

iii. Tempus and Client and their respective Affiliates, representatives, agents and employees will comply with the U.S. Foreign Corrupt Practices Act, as amended, the UK Bribery Act of 2010, and any other applicable anti-corruption laws for the prevention of fraud, racketeering, money laundering or terrorism, and will not knowingly take any action that will, or would reasonably be expected to, cause the other Party or its Affiliates to be in violation of any such laws or policies.

iv. Neither Party has received or been offered any illegal or improper payment, bribe, kickback, gift, or other item of value from an employee or agent of the other Party in connection with this Agreement. The Parties intend for their relationship and interactions to comply with the following: (i) the federal anti-kickback statute (42 U.S.C. § 1320a-7b(b)) and the associated safe harbor regulations; and (ii) the limitation on certain physician referrals (Stark Law) (42 U.S.C. § 1395nn). Accordingly, no part of any remuneration provided under this Agreement or any other agreement between the Parties is a prohibited payment in exchange for recommending or arranging for the referral of business or the ordering of items or services, or otherwise intended to induce illegal referrals of business.

v. Tempus has obtained all consents and authorizations necessary to provide Recursion access to the Licensed Data for use in accordance with this Agreement. Tempus will comply with all applicable laws and industry-standard guidelines when carrying out activities under this Agreement, including securities laws, antitrust laws, HIPAA, the U.S. Food and Drug Administration (FDA) Guidance on Industry-Supported Scientific and Educational Activities, the Federal Food, Drug, and Cosmetic Act and associated regulations, federal and state anti-kickback laws and guidance, the Council of Medical Specialty Societies (CMSS) Code of Interactions with Companies, the American Medical Association Code of Medical Ethics and associated opinions, policies adopted by the FDA relating to industry- sponsored educational activities, the Accreditation Council for Continuing Medical Education (ACCME) Standards for Commercial Support, the Pharmaceutical Research and Manufacturers of America (PhRMA) Code on Interactions with Healthcare Professionals, and the ICMJE Recommendations for publication authorship.

c. *Regulatory Filings*. As between the Parties, Client will have sole control over any regulatory filings with respect to results obtained from use of Licensed Data. Client may disclose limited portions of the Licensed Data to governmental authorities to the extent necessary to support such filings, if Client uses all reasonable efforts to protect the confidentiality of the Licensed Data, limit the risk of re-identification, and properly attribute Licensed Data to Tempus. Any disclosure beyond the limited disclosure described in this paragraph shall require Tempus' prior written consent, which shall not be unreasonably withheld.

d. *Security Incident Reporting*. Each Party agrees to notify the other Party promptly, but in no event later than ten (10) business days after becoming aware of the occurrence of: (i) a potential security breach involving Licensed Data; (ii) re-identification of any of the Licensed Data; (iii) a complaint related to a request for access to the Licensed Data; or (iv) any inquiry, investigation, audit, or government enforcement action related to the Licensed Data. If Client or any of Client's Affiliates becomes legally compelled to disclose any Licensed Data, then to the extent permitted by applicable law, Client will notify Tempus as soon as practical, but in any event within ten (10)

business days of learning of such requirement, so that Tempus may seek a protective order or other appropriate remedy. If any of the events set out in this Section occurs, Client agrees to cooperate and cause Client's Affiliates to cooperate with Tempus and take any actions reasonably requested by Tempus to minimize the re-identification risk and potential damage resulting from the event.

e. *Non-Exclusivity*. This is a non-exclusive agreement. Nothing in this Agreement will prevent Tempus from (a) making available to other clients the same or substantially similar services and licenses, or (b) making available to other Tempus clients custom data sets that are the same or similar to the Licensed Data, so long as none of the foregoing include use of Client's Confidential Information. Client acknowledges that Tempus' or Tempus licensees' use of Licensed Data may result in the same or similar outcomes, conclusions, reports, and other results.

f. *NO OTHER REPRESENTATIONS OR WARRANTIES. EXCEPT AS EXPRESSLY PROVIDED:*

   i. TEMPUS DISCLAIMS ANY AND ALL EXPRESS, IMPLIED, STATUTORY, AND OTHER WARRANTIES AND REPRESENTATIONS OF ANY KIND, INCLUDING WITHOUT LIMITATION ANY WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, QUIET ENJOYMENT, QUALITY OF INFORMATION, OR TITLE.

   ii. TEMPUS MAKES NO REPRESENTATIONS OR WARRANTIES ABOUT THE SUITABILITY OR ACCURACY OF ANY SERVICES, THE LICENSED DATA, OR ANY OTHER TEMPUS MATERIALS. TEMPUS USES DATA PROVIDED TO TEMPUS BY THIRD PARTIES THAT HAS BEEN DE-IDENTIFIED TO CREATE THE LICENSED DATA "AS IS" AND IS NOT RESPONSIBLE FOR THE ACCURACY, COMPLETENESS, AND/OR INTEGRITY OF SUCH DATA. TEMPUS DISCLAIMS ANY LIABILITY RESULTING FROM ANY SUCH ISSUES RELATING TO SUCH DATA. TEMPUS HAS NO LIABILITY FOR CLINICAL, OPERATIONAL, BUSINESS, OR ANY OTHER DECISIONS MADE BY YOU, YOUR AFFILIATES, OR AUTHORIZED USERS BASED ON THE LICENSED DATA.

   iii. ALL TECHNOLOGY, RIGHTS AND SERVICES ARE LICENSED AND OTHERWISE PROVIDED "AS IS," "WHERE-IS," AND "WITH ALL FAULTS."

Exhibit 2
Lens Subscription Agreement

This Subscription Agreement (the "Subscription Agreement") is entered into by and between Tempus Labs, Inc. ("Tempus") and Recursion Pharmaceuticals, Inc. ("Client"), incorporates by reference the Lens Terms of Use (accessible via Lens), and is subject to that Master Agreement entered into between the Parties (as may be amended or restated, the "Master Agreement"). Capitalized terms not defined herein shall have the meanings set forth in the Master Agreement.

1. **Software and Accounts**.

   a. *Software*. The "Software" is Tempus' LENS software, an online application that permits the viewing and analysis of clinical, molecular, and other health data (collectively "Data") maintained by Tempus. The Software provides a view of health information that does not include the 18 identifiers listed in the Safe Harbor method for de-identification set forth in 45 C.F.R. § 164.514(b)(2)(i). The features, functionality, user interface, look-and-feel, and other aspects of the Software may change from time to time in Tempus' sole discretion, provided that Tempus will provide Client with the most recent version of the Software so long as Client remains current on the Subscription Fee.

   b. *Provision of LENS*. Tempus will make the Software available to Client pursuant to this Subscription Agreement. Client may provide Software access to up to [***] named employees or contractors of Client or its affiliates, and Client will notify Tempus which such individuals should be granted access to the Software (each, a "User"). Client will also provide Tempus with contact information for one or more authorized representatives to manage all available access limitations. Tempus will rely on Client and/or its authorized representative to manage its LENS permissions. Each User must keep their account credentials for the Software confidential. Client is responsible for all acts and omissions of its Users.

2. **Subscription Fee**. Recursion will pay Tempus $[***] per year for the duration of the Term ("Subscription Fee"). Tempus will issue the first invoice as of the Effective Date and subsequent invoices annually through the fourth anniversary of the Effective Date. The total Subscription Fee will be $[***] during the Term, and shall continue at the same rate of $[***] per year if the Master Agreement is extended or renewed in accordance with the Master Agreement.

3. **Term and Termination**. The Term of the Master Agreement is incorporated by reference. In addition, Client's license to use the Software will terminate as of the termination date of the Master Agreement. In addition, Tempus may suspend Client's access to the Software without liability upon thirty (30) days prior written notice to Client (which such notice period may be reduced or eliminated in Tempus' reasonable discretion to address a material security threat), if (a) Client or any User breaches this Subscription Agreement, or (b) Tempus has reason to believe that Client or any person or entity accessing the Software through Client is abusing the Software or is using it unlawfully or in a manner that threatens the security or integrity of the Software, and in each case does not cure such breach or threat to the security or integrity of the Software during such thirty (30)-day period.

4. **Optional Structured Data Services for Healthcare Providers.**

   a. *Data Updates*. The health data made available to Client through the Software may include the health records of patients who received care or participated in research through Client and/or its affiliates. Some patients may have received next-generation sequencing through Tempus. Client may provide Tempus with updated medical records from such patients or records of other patients who received sequencing or other testing from laboratories other than Tempus (collectively, "Data Updates"), to improve the view of the health data available to Client through the Software.

   b. *Description of Data Structuring Services*. If Client provides Data Updates to Tempus, Tempus will extract data elements from the records, organize those data elements into a structured format, and make the structured data available through the Software. Tempus will treat all protected

health information received under this Section 4 in accordance with the terms of the BAA, if any. Client retains ownership of any protected health information provided to Tempus hereunder.

5. **Client Policies**. Client agrees that it is solely responsible for complying with all of it and its affiliates' policies, rules, guidelines, and similar requirements, including requirements that govern patient consent and the collection, processing, transfer, analysis, use, and storage of protected health information ("Client Policies"). Client will only provide data, if any, to Tempus, and use the data accessible through the Software, to the extent such transfer and use, as well as Tempus' use of any such data to be provided to Tempus in accordance with this Subscription Agreement, complies with Client Policies. Tempus disclaims any responsibility and liability for any breach of Client Policies as they apply to data and specimens provided by Client to Tempus hereunder.

6. **Data Use**. Through its use of the Software, Client and its Users may have access to de-identified data from Tempus' database that does not originate from Client (the "Licensed Data"). With respect to the Licensed Data, Client agrees to the Licensed Data Terms set forth in Exhibit 1 of the Master Agreement on behalf itself and all Users.

7. **Additional Terms**.

   a. *No orders required*. Client and its ordering clinicians are under no obligation to recommend, order, or otherwise refer Tempus tests or services in order to have access to the Software.

   b. *Assignment*. This Subscription Agreement is binding upon, and will inure to the benefit of, the successors and permitted assigns of the Parties. Either Party may assign its rights and responsibilities under this Subscription Agreement to any of its affiliates or in connection with a merger, acquisition, corporate reorganization, or sale of all or substantially all of its assets; provided, in the case of such an assignment by Tempus, Tempus provides within a reasonable amount of time written notice to Client of any such permitted assignment and the assignee agrees in writing to be bound by the terms and conditions of this Agreement, including without limitation with respect to permitting Client to download, store, copy, use, compile, display, and access the Licensed Data, in each case in accordance with rights and licenses set forth herein. Any other purported assignment is void.

Exhibit 31.1

Certification of Principal Executive Officer
Pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended

I, Christopher Gibson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Recursion Pharmaceuticals, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

/s/ Christopher Gibson
Christopher Gibson, Chief Executive Officer (principal executive officer)

Date: November 9, 2023

Exhibit 31.2

Certification of Principal Financial Officer
Pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended

I, Michael Secora, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Recursion Pharmaceuticals, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

/s/ Michael Secora
Michael Secora, Chief Financial Officer (principal financial officer)

Date: November 9, 2023

Exhibit 32.1

Certifications of Principal Executive Officer and Principal Financial Officer 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 Recursion Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), The undersigned certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

/s/ Christopher Gibson
Christopher Gibson, Chief Executive Officer (principal executive officer)

/s/ Michael Secora
Michael Secora, Chief Financial Officer (principal financial officer)

Date: November 9, 2023