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

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the Month of May 2020

Commission File Number: 001-37993

Autolus Therapeutics plc
(Translation of registrant's name into English)

Forest House
58 Wood Lane
White City
London W12 7RZ
United Kingdom
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:
x Form 20-F ☐ Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ☐

INCORPORATION BY REFERENCE

The Company's Unaudited Condensed Consolidated Interim Financial Statements for the Three Months Ended March 31, 2020, included as Exhibit 99.1 of this Report on Form 6-K (the "Report") and the Management's Discussion and Analysis of Financial Condition and Results of Operations for the Three Months Ended March 31, 2020, included as Exhibit 99.2 of this Report shall be deemed to be incorporated by reference into the registration statements on Form S-8 (File No. 333-226457) and Form F-3 (File No. 333-232690) of Autolus Therapeutics plc (the "Company") and to be a part thereof from the date on which this Report is filed, to the extent not superseded by documents or reports subsequently furnished.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

This Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "may," "will," "expect," "plan," "anticipate," "estimate," "intend" and similar expressions (as well as other words or expressions referencing future events, conditions or circumstances) are intended to identify forward-looking statements. These forward-looking statements are based on the Company's expectations and assumptions as of the date of this Report. Each of these forward-looking statements involves risks and uncertainties. Actual results may differ materially from those expressed or implied by these forward-looking statements. For a discussion of risk factors that may cause the Company's actual results to differ from those expressed or implied in the forward-looking statements in this Report, you should refer to the Company's filings with the U.S. Securities and Exchange Commission, including the "Risk Factors" sections contained therein. Except as required by law, the Company undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. You should, therefore, not rely on these forward-looking statements as representing the Company's views as of any date subsequent to the date of this Report.

Risk Factor Update

The Company is supplementing and updating the risk factors in its prior filings with the Securities and Exchange Commission (the "SEC"), including those discussed under the heading "Item 3D. Risk Factors," in the Company's most recent Annual Report on Form 20-F for the year ended December 31, 2019, filed with the SEC on March 3, 2020 to add the following new risk factor:

Risks Related to our Business Operations

The effects of health epidemics, including the recent global coronavirus COVID-19 pandemic, in regions where we, or the third parties on which we rely, have business operations could adversely impact our business, including our clinical trials, preclinical studies and supply chains, depending on the location, duration and severity of disruptions to the systems affecting our business.

Our business could be adversely affected by public health crises such as pandemics or similar outbreaks in regions where we have concentrations of clinical trial sites or other business operations and could cause significant disruption in the operations of third party manufacturers and contract research organizations, or CROs, upon whom we rely. In December 2019, a novel strain of coronavirus, SARS-CoV-2, which causes coronavirus disease 2019 or COVID-19, surfaced in Wuhan, China. Since then, COVID-19 has spread across the world to almost every country, including the United Kingdom, the United States and many other European countries.

In response to the spread of COVID-19 as well as public health directives and orders, we have implemented work-from-home policies to support the community efforts to reduce the transmission of COVID-19 and protect employees, complying with guidance from government authorities in the countries within which we operate. We have implemented a number of measures to ensure employee safety and business continuity, including limiting access to our laboratory and manufacturing facilities to only those individuals required to execute their job responsibilities and restricted the number of staff working concurrently in any given laboratory. Our company headquarters is located in London, our U.S. headquarters is located in the Baltimore-Washington metropolitan area, and our CROs and CMOs are located in the United States, the United Kingdom, and European Union. In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. The U.S. government also has imposed travel restrictions on travel between the United States, United Kingdom and certain other countries.

We are currently conducting clinical trials in the United States and United Kingdom. Timely enrollment in our clinical trials is dependent upon capacity at our clinical trial sites, some of which are currently adversely affected by COVID-19. Due to the uneven geographic impact of the pandemic, these localized disruptions are difficult to predict. Shutdowns or other restrictions related to COVID-19 or other infectious diseases could impact personnel at third-party manufacturing facilities, which, in turn, could impact the availability or cost of materials and disrupt our supply chain. Additionally, many of our clinical trials involve immunocompromised patients who are at higher risk for COVID-19 and who are therefore more likely to avoid hospitals or other high-risk areas.

The effects of the governmental restrictions and guidelines, and the measures we have implemented to comply with them, may negatively impact productivity, disrupt our business and delay our clinical programs and timelines (for example, our timelines for AUTO1 and AUTO3). The magnitude of these potential disruptions will depend, in part, on the length and severity of the restrictions and other limitations on our ability to conduct our business in the ordinary course.

As a result of the COVID-19 outbreak, or similar pandemics, we may experience disruptions that could severely impact our business, clinical trials and preclinical studies, including:

- delays or difficulties in enrolling patients in our clinical trials, including travel restrictions on patients and constraints on the capacity of our clinical trial sites;
- delays or difficulties in clinical site initiation, including difficulties in training clinical site investigators and clinical site staff;
- delays or disruptions in non-clinical experiments and investigational new drug application-enabling good laboratory practice standard toxicology studies due to unforeseen circumstances in supply chain;
- delays or disruptions in our ability to manufacture programmed T cell therapies due to supply chain and transportation system disruptions or lack of manufacturing staff;
- increased rates of patients withdrawing from our clinical trials following enrollment as a result of contracting COVID-19, being forced to quarantine, or being unable to visit clinical trial locations;
- diversion or prioritization of healthcare resources away from the conduct of clinical trials and towards the COVID-19 pandemic, including the diversion of hospitals serving as our clinical trial sites and hospital staff supporting the conduct of our clinical trials, particularly for clinical trials that require in-patient monitoring following administration of the product candidate;
- delays or disruptions in the availability of clinical site staff, who, as healthcare providers, may have heightened exposure to COVID-19, which, in turn, could adversely impact our clinical trial operations;
- interruption of our key clinical trial activities, such as clinical assessments at pre-specified timepoints during the trial and clinical trial site data monitoring, due to limitations on travel imposed or recommended by governmental entities, employers and others or interruption of clinical trial subject visits and study procedures (particularly any procedures that may be deemed non-essential), which may impact the integrity of subject data and clinical study endpoints;
- interruption or delays in the operations of the U.S. Food and Drug Administration, European Medicines Agency and comparable foreign regulatory agencies or their refusal to accept data from clinical trials in affected geographies, which may impact approval timelines;
- delays in necessary interactions with local regulators, ethics committees and other important agencies and contractors due to limitations in employee resources or forced furlough of government employees;
- limitations on employee resources that would otherwise be focused on the conduct of our preclinical studies and clinical trials, including because of sickness of employees or their families, the desire of employees to avoid contact with large groups of people, an increased reliance on working from home or mass transit disruptions; and
- reduced ability to engage with the medical and investor communities due to the cancellation of conferences scheduled throughout the year.

These and other factors arising from the COVID-19 pandemic could worsen in countries that are already afflicted with COVID-19, could continue to spread to additional countries, or could return to countries where the pandemic has been partially contained, each of which could continue to adversely impact our ability to conduct clinical trials and our business generally, and could have a material adverse impact on our operations and financial condition and results.

In addition, the trading price for our ADSs as well as trading price for the publicly traded securities of other biopharmaceutical companies, as well as the broader global financial markets, have been highly volatile as a result of the COVID-19 pandemic and the resulting impact on U.K. and U.S. economic activities. As a result, we may face difficulties raising capital when needed, and any such sales may be on unfavorable terms to us. Further, to the extent we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of existing shareholders will be diluted.

The global outbreak of the COVID-19 coronavirus continues to rapidly evolve. The extent to which the outbreak may impact our business, clinical trials and preclinical studies will depend on future developments, which are highly uncertain and cannot be predicted with confidence. These impacts are dependent on factors such as the ultimate geographic spread of COVID-19, the duration of the outbreak, travel restrictions, actions to contain the outbreak or treat its impact, such as social distancing and quarantines or lock downs, and the effectiveness of actions by governments to contain and treat the disease.

EXHIBIT INDEX

Exhibit No.	Description
99.1	Unaudited Condensed Consolidated Interim Financial Statements for the Three Months Ended March 31, 2020
99.2	Management's Discussion and Analysis of Financial Condition and Results of Operations for the Three Months Ended March 31, 2020
101	The following materials from this Report on Form 6-K are formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Statements of Operations and Comprehensive Loss for the Three Months ended March 31, 2020 and 2019 (Unaudited), (ii) Condensed Consolidated Balance Sheet as at March 31, 2020 and December 31, 2019 (Unaudited), (iii) Condensed Consolidated Statements of Changes in Shareholders' Equity for the Three ended March 31, 2020 and 2019 (Unaudited), (iv) Condensed Consolidated Statements of Cash Flows for the Three Months ended March 31, 2020 and 2019 (Unaudited), and (v) Notes to Condensed Consolidated Financial Statements (Unaudited).

SIGNATURES

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

Autolus Therapeutics plc

Date: May 7, 2020

By: /s/ Christian Itin

Name Christian Itin, Ph.D.

Title: Chief Executive Officer

Exhibit 99.1

INDEX TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AUTOLUS THERAPEUTICS PLC

Condensed Consolidated Balance Sheets (Unaudited)
(In thousands, except share and per share amounts)

	March 31, 2020	December 31, 2019
Assets		
Current assets:		
Cash	$ 243,312	$ 210,643
Restricted cash	786	787
Prepaid expenses and other assets, current	36,844	37,826
Total current assets	280,942	249,256
Non-current assets:		
Property and equipment, net	29,800	28,164
Right of use assets, net	23,713	23,409
Long-term deposits	1,933	2,040
Prepaid expenses and other assets, non-current	652	—
Deferred tax asset	410	410
Intangible assets, net	214	254
Total assets	$ 337,664	$ 303,533
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	1,057	1,075
Accrued expenses and other liabilities	22,471	21,398
Lease liabilities	2,523	2,511
Total current liabilities	26,051	24,984
Non-current liabilities:		
Lease liabilities	24,135	23,710
Total liabilities	50,186	48,694
Shareholders' equity:		
Ordinary shares, $0.000042 par value; 200,000,000 shares authorized as of March 31, 2020 and December 31, 2019; 52,247,932 and 44,983,006, shares issued and outstanding at March 31, 2020 and December 31, 2019, respectively	3	2
Deferred shares, £0.00001 par value; 34,425 shares authorized, issued and outstanding at March 31, 2020 and December 31, 2019	—	—
Deferred B shares, £0.00099 par value; 88,893,548 shares authorized, issued and outstanding at March 31, 2020 and December 31, 2019	118	118
Deferred C shares, £0.000008 par value; 1 share authorized, issued and outstanding at March 31, 2020 and December 31, 2019	—	—
Additional paid-in capital	580,772	500,560
Accumulated other comprehensive loss	(26,392)	(8,691)
Accumulated deficit	(267,023)	(237,150)
Total shareholders' equity	287,478	254,839
Total liabilities and shareholders' equity	$ 337,664	$ 303,533

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

AUTOLUS THERAPEUTICS PLC

Condensed Consolidated Statements of Operations and Comprehensive Loss (Unaudited)
(In thousands, except share and per share amounts)

	Three Months Ended March 31,	
	2020	**2019**
Grant income	$ 338	$ 1,964
Operating expenses:		
Research and development	(31,287)	(22,565)
General and administrative	(7,614)	(9,556)
Total operating expenses, net	(38,563)	(30,157)
Other income (expense):		
Interest income	510	541
Other income (expense)	4,484	(984)
Total other income, net	4,994	(443)
Net loss before income tax	(33,569)	(30,600)
Income tax benefit	3,696	3,421
Net loss attributable to ordinary shareholders	(29,873)	(27,179)
Other comprehensive loss:		
Foreign currency exchange translation adjustment	(17,701)	5,051
Total comprehensive loss	$ (47,574)	$ (22,128)
Basic and diluted net loss per ordinary share	$ (0.60)	$ (0.69)
Weighted-average basic and diluted ordinary shares	49,859,739	39,471,029

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

AUTOLUS THERAPEUTICS PLC

Condensed Consolidated Statements of Shareholders' Equity (Unaudited)

(In thousands, except share amounts)

Three Months Ended March 31, 2019

	Ordinary Shares		Deferred Shares		Deferred B Shares		Deferred C Shares					
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Additional Paid in Capital	Accumulated other comprehensive gain/(loss)	Accumulated deficit	Total
Balance at December 31, 2018	**40,145,617**	**$ 2**	**34,425**	**$ —**	**88,893,548**	**$ 118**	**1**	**$ —**	**$ 361,311**	**$ (15,488)**	**$ (113,301)**	**$ 232,642**
Share-based compensation expense	—	—	—	—	—	—	—	—	**7,365**	—	—	**7,365**
Restricted shares - forfeited	**(302)**	—	—	—	—	—	—	—	—	—	—	—
Exercise of stock options	**2,126**	—	—	—	—	—	—	—	**4**	—	—	**4**
Unrealized gain on foreign currency translation	—	—	—	—	—	—	—	—	—	**5,051**	—	**5,051**
Net loss	—	—	—	—	—	—	—	—	—	—	**(27,179)**	**(27,179)**
Balance at March 31, 2019	**40,147,441**	**$ 2**	**34,425**	**$ —**	**88,893,548**	**$ 118**	**1**	**$ —**	**$ 368,680**	**$ (10,437)**	**$ (140,480)**	**$ 217,883**

Three Months Ended March 31, 2020

	Ordinary Shares		Deferred Shares		Deferred B Shares		Deferred C Shares					
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Additional Paid in Capital	Accumulated other comprehensive gain/(loss)	Accumulated deficit	Total
Balance at December 31, 2019	**44,983,006**	**2**	**34,425**	**$ —**	**88,893,548**	**$ 118**	**1**	**$ —**	**$ 500,560**	**$ (8,691)**	**$ (237,150)**	**$ 254,839**
Issuance of ordinary shares, net of issuance costs	**7,250,000**	**1**	—	—	—	—	—	—	**73,952**	—	—	**73,953**
Share-based compensation expense	—	—	—	—	—	—	—	—	**6,235**	—	—	**6,235**
Restricted shares - forfeited	**(50)**	—	—	—	—	—	—	—	—	—	—	—
Exercise of stock options	**14,976**	—	—	—	—	—	—	—	**24**	—	—	**24**
Unrealized loss on foreign currency translation	—	—	—	—	—	—	—	—	—	**(17,701)**	—	**(17,701)**
Net loss	—	—	—	—	—	—	—	—	—	—	**(29,873)**	**(29,873)**
Balance at March 31, 2020	**52,247,932**	**$ 3**	**34,425**	**$ —**	**88,893,548**	**$ 118**	**1**	**$ —**	**$ 580,772**	**$ (26,392)**	**$ (267,023)**	**$ 287,478**

AUTOLUS THERAPEUTICS PLC

Condensed Consolidated Statements of Cash Flows (Unaudited)

(In thousands)

	Three Months Ended March 31,	
	2020	**2019**
Cash flows from operating activities:		
Net loss	$ (29,873)	$ (27,179)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,261	1,639
Share-based compensation (net of amount capitalized)	6,189	7,365
Gain on termination of operating lease	(160)	—
Loss on disposal of property and equipment	—	43
Changes in operating assets and liabilities		
Prepaid expenses and other current assets	(1,186)	(6,816)
Prepaid expenses and other non-current assets	(233)	—
Long-term deposits	(18)	(707)
Right of use assets, net	769	—
Accounts payable	(124)	(493)
Accrued expenses and other liabilities	(361)	(370)
Lease liabilities	(297)	—
Net cash used in operating activities	(24,033)	(26,518)
Cash flows from investing activities:		
Purchases of property and equipment	(2,637)	(7,329)
Net cash used in investing activities	(2,637)	(7,329)
Cash flows from financing activities:		
Proceeds of issuance of ordinary shares, net of issuance costs	74,310	4
Net cash provided by financing activities	74,310	4
Effect of exchange rate changes on cash and restricted cash	(14,972)	4,702
Net increase (decrease) in cash and restricted cash	32,668	(29,141)
Cash and restricted cash, beginning of period	211,430	217,555
Cash and restricted cash, end of period	$ 244,098	$ 188,414
Supplemental non-cash flow information		
Property and equipment purchases included in accounts payable and accrued expenses	$ 4,624	$ 1,226
Right of use assets terminated and obtained in exchange for operating lease liabilities, net	$ 2,487	$ —
Capitalized implementation costs included in accrued expenses	$ 607	$ —
Issuance costs included in accrued expenses	$ 334	$ —
Capitalized share-based compensation	$ 46	$ —
Reconciliation of cash and restricted cash reported within the condensed consolidated balance sheets:		
Cash	$ 243,312	$ 187,733
Restricted cash	786	681
Total cash and restricted cash	$ 244,098	$ 188,414

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

Note 1. Nature of the Business

Autolus Therapeutics plc (the “Company”) is a biopharmaceutical company developing next-generation programmed T cell therapies for the treatment of cancer. Using its broad suite of proprietary and modular T cell programming technologies, the Company is engineering precisely targeted, controlled and highly active T cell therapies that are designed to better recognize cancer cells, break down their defense mechanisms and attack and kill these cells. The Company believes its programmed T cell therapies have the potential to be best-in-class and offer cancer patients substantial benefits over the existing standard of care, including the potential for cure in some patients.

The Company is a public limited company incorporated in England and Wales. On June 22, 2018, the Company completed its initial public offering ("IPO") of American Depositary Shares (“ADSs”). In the IPO, the Company sold an aggregate of 10,147,059 ADSs representing the same number of ordinary shares, including 1,323,529 ADSs pursuant to the underwriters’ option to purchase additional ADSs, at a public offering price of $17.00 per ADS. Net proceeds were $156.5 million, after deducting underwriting discounts and commissions and offering expenses paid by the Company.

On April 15, 2019, the Company completed an underwritten public offering of 4,830,000 ADSs representing 4,830,000 ordinary shares, at a public offering price of $24.00 per ADS, which includes an additional 630,000 ADSs issued upon the exercise in full of the underwriters’ option to purchase additional ADSs. Aggregate net proceeds to the Company, after underwriting discounts and offering expenses, were $108.8 million.

On January 27, 2020, the Company completed an underwritten public offering of 7,250,000 ADSs representing 7,250,000 ordinary shares, at a public offering price of $11.00 per ADS. Aggregate net proceeds to the Company, after underwriting discounts and offering expenses, were $74.0 million.

The Company is subject to risks and uncertainties common to early-stage companies in the biotechnology industry, including, but not limited to, development by competitors of new technological innovations, dependence on key personnel, protection of proprietary technology, compliance with government regulations and the ability to secure additional capital to fund operations. Product candidates currently under development will require significant additional research and development efforts, including pre-clinical and clinical testing and regulatory approval, prior to commercialization. These efforts require significant amounts of capital, adequate personnel and infrastructure and extensive compliance-reporting capabilities. Even if the Company’s product development efforts are successful, it is uncertain when, if ever, the Company will realize revenue from its product sales.

The Company has funded its operations primarily with proceeds from the sale of its equity securities. The Company has incurred recurring losses since its inception, including net losses of $29.9 million and $27.2 million for the three months ended March 31, 2020 and 2019, respectively. In addition, the Company had an accumulated deficit of $267.0 million and $237.2 million as of March 31, 2020 and December 31, 2019, respectively. The Company expects to continue to generate operating losses for the foreseeable future. The future viability of the Company is dependent on its ability to raise additional capital to finance its operations. The Company’s inability to raise additional capital as and when needed could have a negative impact on its financial condition and ability to pursue its business strategies. There can be no assurances, however, that the current operating plan will be achieved or that additional funding will be available on terms acceptable to the Company, or at all. The Company believes the cash on hand at March 31, 2020 of $243.3 million will be sufficient to fund the Company’s operations for at least twelve months from the issuance of these financial statements.

COVID-19

In December 2019, a novel strain of coronavirus, SARS-CoV-2, which causes coronavirus disease 2019 or COVID-19, surfaced in Wuhan, China. Since then, COVID-19 has spread across the world to almost every country, including the United Kingdom, the United States and many other European countries. In response to the spread of COVID-19 as well as public health directives and orders, we have implemented work-from-home policies to support the community efforts to reduce the transmission of COVID-19 and protect employees, complying with guidance from government authorities in the countries within which we operate. We are currently conducting clinical trials in the United States and United Kingdom and monitoring the potential impact of COVID-19. As of and for the three months ended March 31, 2020, the Company is not aware of any specific event or circumstance that is having an impact on our operations which would require us to update our estimates, judgments or revise the carrying value of our assets or liabilities. These estimates may change, as new events occur and additional information is obtained, and are recognized in the consolidated financial statements as soon as they become known.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying condensed consolidated financial statements include those of the Company, its wholly-owned subsidiary, Autolus Limited, and its U.S. subsidiary, Autolus Inc., and have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). All intercompany accounts and transactions have been eliminated upon consolidation.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of income and expenses during the reporting periods. Significant estimates and assumptions reflected in these condensed consolidated financial statements include, but are not limited to, the accrual for research and development expenses, share-based compensation and income taxes. Estimates are periodically reviewed in light of changes in circumstances, facts and experience. Changes in estimates are recorded in the period in which they become known. Actual results could differ materially from those estimates.

Cash and Cash Equivalents

The Company considers cash and cash equivalents in the condensed consolidated financial statements to include cash at banks with a maturity of less than three months, which is subject to an insignificant risk of changes in value.

Restricted Cash

The Company entered into a lease that requires a letter of credit supported by $0.6 million deposit held by the Company's bank for the duration of the lease and a credit card arrangement that requires a security deposit of $0.2 million. The Company includes the restricted cash balance in cash and cash equivalents when reconciling beginning-of-period and end-of-period total amounts shown on the Company's condensed consolidated statements of cash flows.

Fair Value Measurements

The carrying amounts reported in the balance sheets for cash and restricted cash, prepaid expenses and other assets, accounts payable and accrued expenses and other liabilities approximate their fair value because of the short-term nature of these instruments.

Concentration of Credit Risk

Financial instruments that subject the Company to credit risk consist primarily of cash and restricted cash. The Company places cash and restricted cash in established financial institutions. The Company has no significant off-balance-sheet risk or concentration of credit risk, such as foreign exchange contracts, options contracts, or other foreign hedging arrangements.

Property and Equipment

Property and equipment are recorded at cost and depreciated or amortized using the straight-line method over the estimated useful lives of the respective assets. As of March 31, 2020 and December 31, 2019, the Company's property and equipment consisted of office equipment, lab equipment, furniture and fixtures, and leasehold improvements. The office equipment has an estimated useful life of three years, lab equipment has an estimated useful life of five or ten years, and furniture and fixtures have an estimated useful life of five years. Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful life of the asset. Assets under construction primarily consist of costs incurred with leasehold improvements, and, once placed into service, will be depreciated over the shorter of the lease term or the estimated useful life of the asset. Upon retirement or sale, the cost of assets are disposed of, and the related accumulated depreciation, is removed from the accounts and any resulting gain or loss is included in the statement of operations and other comprehensive loss. Repairs and maintenance expenditures, which are not considered improvements and do not extend the useful life of property and equipment, are expensed as incurred. The Company did not recognize a disposal loss in the three months ended March 31, 2020 and recognized a $43,000 disposal loss in the three months ended March 31, 2019.

The Company evaluates an asset for potential impairment when events or changes in circumstances indicate the carrying value of the asset may not be recoverable. Recoverability is measured by comparing the book value of the asset to the expected future net undiscounted cash flows that the asset is expected to generate. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the book value of the asset exceeds the fair value. The Company did not recognize an impairment in the three months ended March 31, 2020 and 2019.

Leases

At the inception of an arrangement, the Company determines whether the arrangement is or contains a lease based on the unique facts and circumstances present. Most leases with a term greater than one year are recognized on the balance sheet as right-of-use assets, lease liabilities and, if applicable, long-term lease liabilities. The Company has elected not to recognize on the balance sheet leases with terms of one year or less. Operating lease liabilities and their corresponding right-of-use assets are recorded based on the present value of lease payments over the expected remaining lease term. However, certain adjustments to the right-of-use asset may be required for items such as incentives received, initial direct costs, or prepayments. The interest rate implicit in lease contracts is typically not readily determinable. As a result, the Company utilizes its incremental borrowing rates, which are the rates incurred to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment.

In accordance with the guidance in ASC 842, components of a lease should be split into three categories: lease components (e.g. land, building, etc.), non-lease components (e.g. common area maintenance, consumables, etc.), and non-components (e.g. property taxes, insurance, etc.). Then the fixed and in-substance fixed contract consideration (including any related to non-components) must be allocated based on the respective relative fair values to the lease components and non-lease components. The Company accounts for the lease and non-lease components for leases for classes of all underlying assets and allocate all of the contract consideration to the lease component.

Intangible Assets Subject to Amortization

The Company's intangible assets are related to acquired software licenses with finite lives and are amortized over their useful lives and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If any indicators were present, the Company would test for recoverability by comparing the carrying amount of the asset to the net undiscounted cash flows expected to be generated from the asset. If those net undiscounted cash flows do not exceed the carrying amount (i.e., the asset is not recoverable), the Company would perform the next step, which is to determine the fair value of the asset and record an impairment loss, if any. The Company evaluates the useful lives for these intangible assets each reporting period to determine whether events and circumstances warrant a revision in their remaining useful lives. The Company did not recognize an impairment loss in the three months ended March 31, 2020 and 2019.

Segment Information

Operating segments are defined as components of an enterprise about which separate discrete information is available for evaluation by the chief operating decision maker in deciding how to allocate resources and assess performance. The Company and its chief operating decision maker, the Company's Chief Executive Officer, view the Company's operations and manage its business as a single operating segment, which is the business of developing and commercializing gene therapies; however, the Company operates in two geographic regions: the United Kingdom and the United States. Substantially all of the Company's assets are held in the United Kingdom.

Research and Development Costs

Research and development costs are expensed as incurred. Research and development expenses consist of costs incurred in performing research and development activities, including salaries, share-based compensation and benefits, depreciation expense, third-party license fees, external costs of outside vendors engaged to conduct clinical development activities, clinical trials, costs to manufacture clinical trial materials and certain tax credits associated with research and development activities. The Company recorded the U.K. research and development expenditure credit ("RDEC") in the amount of $28,000 and $50,000 for the three months ended March 31, 2020 and 2019, respectively, as reductions of research and development expenses within the Company's statement of operations and comprehensive loss.

Accrued Research and Development Expenses

As part of the process of preparing its condensed consolidated financial statements, the Company is required to estimate accruals for research and development expenses. This process involves reviewing and identifying services which have been performed by third parties on the Company's behalf and determining the value of these services. In addition, the Company makes estimates of costs incurred to date but not yet invoiced, in relation to external clinical research organizations and clinical site costs. The Company analyzes the progress of clinical trials, including levels of patient enrollment, invoices received and contracted costs, when evaluating the adequacy of the accrued liabilities for research and development. The Company makes judgments and estimates in determining the accrued balance in any accounting period.

Share-Based Compensation

The Company recognizes compensation expense for equity awards based on the grant date fair value of the award. The Company recognizes share-based compensation expense for awards granted to employees that have a graded vesting schedule based on a service condition only on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards (the "graded-vesting attribution method"), based on the estimated grant date fair value for each separately vesting tranche. For equity awards with a graded vesting schedule and a combination of service and performance conditions, the Company recognizes share-based compensation expense using a graded-vesting attribution method over the requisite service period when the achievement of a performance-based milestone is probable, based on the relative satisfaction of the performance condition as of the reporting date.

For share-based awards granted to consultants and non-employees, compensation expense is recognized using the graded-vesting attribution method over the period during which services are rendered by such consultants and non-employees until completed. The measurement date for employee awards is the date of grant, and share-based compensation costs are recognized as expense over the employees' requisite service period, which is the vesting period, on an accelerated basis.

The Company accounts for forfeitures as they occur.

The fair value of each share option grant is estimated on the date of grant using the Black-Scholes option pricing model. See Note 7 for the Company's assumptions used in connection with option grants made during the periods covered by these condensed consolidated financial statements. Assumptions used in the option pricing model include the following:

Expected volatility. The Company lacks company-specific historical and implied volatility information for its ADSs. Therefore, the Company estimates the expected share volatility based on the historical volatility of publicly traded peer companies and expects to continue to do so until such time as it has adequate historical data regarding the volatility of its own traded share price.

Expected term. The expected term of the Company's share options has been determined utilizing the "simplified" method for awards that qualify as "plain-vanilla" options.

Risk-free interest rate. The risk-free interest rate is determined by reference to the U.S. Treasury yield curve in effect at the time of grant of the award for time periods that are approximately equal to the expected term of the award.

Expected dividend. Expected dividend yield of zero is based on the fact that the Company has never paid cash dividends on ordinary shares and does not expect to pay any cash dividends in the foreseeable future.

Fair value of ordinary shares. Options granted are issued at the fair market value of the Company's ADS at the date the grant is approved by the Board.

Foreign Currency Remeasurement and Translation

The Company maintains its condensed consolidated financial statements in its functional currency, which is the pounds sterling. Monetary assets and liabilities denominated in currencies other than the functional currency are remeasured into the functional currency at rates of exchange prevailing at the balance sheet dates. Non-monetary assets and liabilities denominated in foreign currencies are remeasured into the functional currency at the exchange rates prevailing at the date of the transaction. Exchange gains or losses arising from foreign currency transactions are included in the determination of net loss for the respective periods. The Company recorded foreign exchange gain of $4.3 million and loss of $1.0 million for the three months ended March 31, 2020 and 2019, respectively. Foreign exchange gains and losses are included in Other income (expense) in the statements of operations and comprehensive loss.

For financial reporting purposes, the condensed consolidated financial statements of the Company have been translated into U.S. dollars. Assets and liabilities have been translated at the exchange rates at the balance sheet dates, while revenue and expenses are translated at the average exchange rates over the reporting period and shareholders' equity amounts are translated based on historical exchange rates as of the date of each transaction. Translation adjustments are not included in determining the Company's net loss but are included in foreign exchange adjustment to other comprehensive loss, a component of shareholders' equity.

Patent Costs

The Company expenses patent prosecution and related legal costs as they are incurred and classifies such costs as general and administrative expenses in the accompanying statements of operations and comprehensive loss. The Company recorded patent expenses of $0.6 million and $0.3 million for the three months ended March 31, 2020 and 2019, respectively.

Grant Income

The Company has received research grants under which it is reimbursed for specific research and development activities. Payments received are recognized as income in the statements of operations and comprehensive loss over the period in which the Company recognizes the related costs. At the time the Company recognizes grant income, it has complied with the conditions attached to it and the receipt of the reimbursement is reasonably assured. The Company has received grants from the U.K. government, which are repayable under certain circumstances, including breach or noncompliance. For grants with refund provisions, the Company reviews the grant to determine the likelihood of repayment. If the likelihood of repayment of the grant is determined to be remote, then the grant is recognized as grant income. The Company has determined that the likelihood of any repayment events included in its current grants is remote.

Income Taxes

The Company accounts for income taxes under the asset and liability method which includes the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the Company's condensed consolidated financial statements. Under this approach, deferred taxes are recorded for the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. The provision for income taxes represents income taxes paid or payable for the current year plus deferred taxes. Deferred taxes result from differences between the condensed consolidated financial statements and tax bases of the Company's assets and liabilities, and are adjusted for changes in tax rates and tax law when changes are enacted. The effects of future changes in income tax laws or rates are not anticipated.

The Company is subject to income taxes in the United Kingdom and the United States. The calculation of the Company's tax provision involves the application of United Kingdom and United States tax law and requires judgment and estimates.

The Company evaluates the realizability of its deferred tax assets at each reporting date, and establishes a valuation allowance when it is more likely than not that all or a portion of its deferred tax assets will not be realized.

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income of the same character and in the same jurisdiction. The Company considers all available positive and negative evidence in making this assessment, including, but not limited to, the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies. In circumstances where there is sufficient negative evidence indicating that the Company's deferred tax assets are not more likely than not realizable, the Company establishes a valuation allowance.

The Company uses a two-step approach for recognizing and measuring uncertain tax positions. The first step is to evaluate tax positions taken or expected to be taken in a tax return by assessing whether they are more likely than not sustainable, based solely on their technical merits, upon examination, and including resolution of any related appeals or litigation process. The second step is to measure the associated tax benefit or each position as the largest amount that the Company believes is more likely than not realizable. Differences between the amount of tax benefits taken or expected to be taken in the Company's income tax returns and the amount of tax benefits recognized in the its condensed consolidated financial statements represent the Company's unrecognized income tax benefits, which it either records as a liability or reduction of deferred tax assets.

Income Tax Credit

The Company benefits from the U.K. research and development tax credit regime under both the small and medium sized enterprise, or SME, scheme and by claiming an RDEC in respect of grant funded projects. Under the SME regime, a portion of the Company's losses can be surrendered for a cash rebate of up to 33.35% of eligible expenditures. Such credits are accounted for within the tax provision in the year in which the expenditures were incurred.

Comprehensive Loss

The Company follows the provisions of the Financial Accounting Standards Board ("FASB") ASC Topic 220, *Comprehensive Income*, which establishes standards for the reporting and display of comprehensive income and its components. Comprehensive loss is defined to include all changes in equity during a period except those resulting from investments by owners and distributions to owners. The Company recorded a loss of $17.7 million and a gain of $5.1 million related to foreign currency translation adjustments for the three months ended March 30, 2020 and 2019, respectively.

Net Loss Per Share

Basic and diluted net loss per ordinary share is determined by dividing net loss by the weighted average number of ordinary shares outstanding during the period. For all periods presented, outstanding but unvested restricted shares and share options have been excluded from the calculation, because their effects would be anti-dilutive. Therefore, the weighted average shares outstanding used to calculate both basic and diluted loss per share are the same for all periods presented.

The following potentially dilutive securities have been excluded from the calculation of diluted net loss per share due to their anti-dilutive effect:

	As of March 31,	
	2020	**2019**
Unvested restricted incentive shares and units	722,028	605,744
Share options	5,914,949	3,997,663
Total	6,636,977	4,603,407

JOBS Act and Emerging Growth Company Status

The Company is an "emerging growth company," as defined in the Jumpstart Our Business Startups Act ("JOBS Act") and may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. The Company may take advantage of these exemptions until the Company is no longer an emerging growth company. Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period afforded by the JOBS Act for the implementation of new or revised accounting standards. The Company has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

These exemptions provided by the JOBS Act will apply up until the last day of the fiscal year following the fifth anniversary of the IPO or such earlier time that the Company no longer meets the requirements of being an emerging growth company. The Company would cease to be an emerging growth company if it has more than $1.07 billion in annual revenue, has more than $700 million in market value of its securities held by non-affiliates (and it has been a public company for at least 12 months, and has filed one annual report on Form 20-F), or it issues more than $1 billion of non-convertible debt securities over a three-year period.

On April 5, 2012, the Jumpstart Our Business Startups Act, or the JOBS Act, was enacted. The JOBS Act provides that, among other things, an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. As an emerging growth company, the Company has irrevocably elected not to take advantage of the extended transition period afforded by the JOBS Act for the implementation of new or revised accounting standards and, as a result, the Company will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth public companies.

In addition, the Company also currently relies on the other exemptions and reduced reporting requirements provided by the JOBS Act. Subject to certain conditions set forth in the JOBS Act, the Company is entitled to continue to rely on certain exemptions as an "emerging growth company." As an emerging growth company, the Company is not required to, among other things, (i) provide an auditor's attestation report on the Company's system of internal controls over financial reporting pursuant to Section 404(b), (ii) provide all of the compensation disclosure that may be required of non-emerging growth public companies under the Dodd-Frank Wall Street Reform and Consumer Protection Act, (iii) comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements (auditor discussion and analysis), and (iv) disclose certain executive compensation-related items such as the correlation between executive compensation and performance and comparisons of the chief executive officer's compensation to median employee compensation. These exemptions will apply for a period of five years following the completion of the IPO or until the Company no longer meets the requirements of being an emerging growth company, whichever is earlier.

Recent Accounting Pronouncements Adopted

In August 2018, the FASB issued ASU 2018-15, Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract, a new standard on a customer's accounting for implementation, set-up, and other upfront costs incurred in a cloud computing arrangement (CCA) that aligns the requirements for capitalizing implementation costs in a CCA service contract with existing internal-use software guidance. The standard is effective for interim and annual periods beginning after December 15, 2019, with early adoption permitted, and can be adopted prospectively or retrospectively. The Company adopted the new standard on January 1, 2020 on a prospective basis. The Company's cloud computing arrangements are service contracts for the hosting of software primarily related to recording and tracking information related to our clinical trials, including but not limited to patient data and clinical manufacturing. The capitalized implementation costs are presented in the condensed consolidated balance sheet in prepaid expenses and other assets, current and non-current. The deferred implementation costs will be expensed over the term of the hosting arrangement, which is the non-cancelable term of the arrangement plus any reasonably certain renewal periods. As of March 31, 2020, $0.2 million and $0.6 million were recorded to prepaid expenses and other assets, current and non-current, respectively, as deferred implementation costs. For the three months ended March 31, 2020 no deferred implementation costs were expensed.

Other accounting standards that have been issued by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the Company's financial statements upon adoption.

Note 3. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following (in thousands):

	March 31, 2020	December 31, 2019
Research and development claims receivable	$ 29,753	$ 27,567
Prepayments	5,181	7,023
VAT receivable	872	1,928
Grant income receivable	330	547
Other assets	334	279
Other receivable	374	482
Total prepaid expenses and other current assets	$ 36,844	$ 37,826

Note 4. Property and Equipment, Net

Property and equipment, net consisted of the following (in thousands):

	March 31, 2020	December 31, 2019
Lab equipment	$ 18,824	$ 18,214
Office equipment	2,138	2,211
Furniture and fixtures	1,222	1,301
Leasehold improvements	9,684	10,316
Assets under construction	7,154	4,687
Less: accumulated depreciation	(9,222)	(8,565)
Total property and equipment, net	$ 29,800	$ 28,164

Depreciation expense recorded for the three months ended March 31, 2020 and 2019 was $1.3 million and $1.1 million, respectively.

Note 5. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consisted of the following (in thousands):

	March 31, 2020	December 31, 2019
Compensation and benefits	$ 3,408	$ 6,568
Research and development costs	14,173	10,449
UCLB milestone and option	810	663
Professional fees	3,125	2,611
U.S. Corporate and local tax	—	391
Other liabilities	955	716
Total accrued expenses and other liabilities	$ 22,471	$ 21,398

Note 6. Shareholders' Equity

Ordinary Shares

Each holder of ordinary shares is entitled to one vote per ordinary share and to receive dividends when and if such dividends are recommended by the board of directors and declared by the shareholders. As of March 31, 2020, the Company has not declared any dividends.

Effective from June 26, 2018, the board of directors has the authority to allot new ordinary shares or to grant rights to subscribe for or to convert any security into ordinary shares in the Company up to a maximum aggregate nominal amount of $8,400. This authority runs for five years and will expire on June 26, 2023. Effective from June 26, 2018, the board also has the authority to allot ordinary shares for cash or to grant rights to subscribe for or to convert any security into ordinary shares in the Company without first offering them to existing shareholders in proportion to their existing holdings up to an aggregate maximum nominal amount of $8,400. This authority runs for five years and will expire on June 26, 2023.

As of March 31, 2020, the Company's issued capital share consisted of 52,247,932 ordinary shares, with a nominal value of $0.000042 per share, (ii) 34,425 deferred shares, with a nominal value of £0.00001 per share, (iii) 88,893,548 B deferred shares, with a nominal value of £0.00099 per share and (iv) 1 C deferred share, with a nominal value of £0.000008. Each issued share has been fully paid.

Note 7. Share-Based Compensation

Options granted under the 2018 Plan and 2017 Plan, as well as restricted shares granted as employee incentives, typically vest over a four-year service period with 25% of the award vesting on the first anniversary of the commencement date and the balance vesting monthly over the remaining three years, unless the award contains specific performance vesting provisions. For equity awards issued that have both a performance vesting condition and a services condition, once the performance criteria is achieved, the awards are then subject to a four-year service vesting with 25% of the award vesting on the first anniversary of the performance condition being achieved and the balance vesting monthly over the remaining three years. Options granted under the 2018 Plan and 2017 Plan generally expire 10 years from the date of grant. For certain senior members of management and directors, the board of directors has approved an alternative vesting schedule. Restricted stock units awarded in December 2019 vest over a 3-year service period with 50% of the award vesting one-and-half years from commencement date and the remaining 50% of the award vesting at the end of the third year.

Share Option Valuation

The assumptions used in the Black-Scholes option pricing model to determine the fair value of the share options granted by the Company during the three months ended March 31, 2020 were as follows:

	March 31, 2020
Expected option life (years)	6.08
Risk-free interest rate	0.58% - 1.66%
Expected volatility	76.38% - 77.64%
Expected dividend yield	—%

Share Options

The table below summarizes activity for the three months ended March 31, 2020:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2019	5,936,239	$ 17.71	9.02	$ 11,873
Granted	96,500	$ 8.81	—	—
Exercised	(14,976)	$ 1.77	—	—
Canceled or forfeited	(102,814)	$ 24.62	—	—
Outstanding as of March 31, 2020	5,914,949	$ 17.49	8.79	$ 2,885
Exercisable as of March 31, 2020	1,735,080	$ 17.48	8.17	$ 2,013
Vested and expected to vest as of March 31, 2020	5,914,949	$ 17.49	8.79	$ 2,885

The aggregate intrinsic value of share options is calculated as the difference between the exercise price of the share options and the fair value of the Company's ADSs for those share options that had exercise prices lower than the fair value of the Company's ADSs.

The weighted average grant-date fair value of share options granted was $5.91 per share for the three months ended March 31, 2020 of which none were vested.

As of March 31, 2020, the total unrecognized compensation expense related to unvested options was $27.5 million, which the Company expects to recognize over a weighted average vesting period of 3.2 years.

Restricted Ordinary Shares

A summary of the changes in the Company's restricted ordinary shares during the three months ended March 31, 2020 is as follows:

	Number of restricted shares	Weighted average grant date fair value
Unvested and outstanding at December 31, 2019	314,744	$ 4.22
Granted	—	—
Vested	(91,416)	4.32
Canceled or forfeited	(50)	4.44
Unvested and outstanding at March 31, 2020	223,278	$ 4.18

As of March 31, 2020, there was unrecognized compensation expense of $0.2 million, which is expected to be recognized over a weighted average vesting period of 1.3 years.

Restricted Stock Units

A restricted stock unit ("RSU") represents the right to receive one of the Company's ADSs upon vesting of the RSU. The fair value of each RSU is based on the closing price of the Company's ADSs on the date of grant. The Company grants RSUs with service conditions that vest over 3-year service period with 50% of the award vesting one-and-half years from grant date and the remaining 50% of the award vesting at the end of the third year.

During the three months ended March 31, 2020, the Company did not grant RSUs under the 2018 Plan. The following is a summary of RSU activity for the 2018 Plan for the three months ended March 31, 2020:

	Number of restricted shares	Weighted average grant date fair value
Unvested and outstanding at December 31, 2019	500,000	$ 12.09
Granted	—	—
Vested	—	—
Canceled or forfeited	(1,250)	12.09
Unvested and outstanding at March 31, 2020	498,750	$ 12.09

As of March 31, 2020, there was $5.1 million of unrecognized compensation expense related to unvested RSUs, which are expected to be recognized over a weighted average vesting period of 2.7 years.

Share-based Compensation Expense

Share-based compensation expense recorded as research and development expenses, general and administrative expenses, and capitalized to property and equipment is as follows (in thousands):

	Three Months Ended March 31,	
	2020	2019
Research and development	$ 4,562	$ 4,144
General and administrative	1,627	3,221
Capitalized to property and equipment	46	—
Total share-based compensation expense	$ 6,235	$ 7,365

Note 8. License Agreements

UCL Business plc License

In September 2014, the Company entered into an exclusive license agreement (the “License”) with UCL Business plc (“UCLB”), the technology transfer company of University College London (“UCL”), to obtain licenses to certain technology rights in the field of cancer therapy and diagnosis. In March 2016, the License was amended to include additional rights.

As part of the consideration for the License in September 2014, the Company issued 1,497,643 ordinary shares to UCLB. The Company paid upfront fees of $0.3 million and issued an additional 313,971 ordinary shares to UCLB when the License was amended in March 2016.

In March 2018, the License was further amended and restated to include a license to the Company's product candidate, AUTO1, for which UCL is conducting Phase 1 clinical trials of AUTO1 in pediatric and adult ALL patients. The Company paid an upfront fee of £1.5 million for consideration for the amended and restated License and is obligated to pay an additional £0.5 million in connection with UCLB's transfer of clinical data to the Company. No equity was issued as part of the upfront fee consideration.

The License required the Company to make annual license payments of £30,000 through the year ending September 30, 2018. Additionally, the Company may be obligated to make payments to UCLB under the amended and restated License upon the receipt of specified regulatory approvals in an aggregate amount of £35.5 million, the start of commercialization in an aggregate amount of £18 million, and the achievement of net sales levels in an aggregate amount of £51 million, as well as royalty payments based on possible future sales resulting from the utilization of the licensed technologies. On a per-product basis, these milestone payments range from £1 million to £18.5 million, depending on which T cell programming modules are used in the product achieving the milestone.

Upon commercialization of any of the Company’s products that use the in-licensed patent rights, the Company will be obligated to pay UCLB a flat royalty for each licensed product ranging from the low- to mid-single digits, depending on which technologies are deployed in the licensed product, based on worldwide annual net sales of each licensed product, subject to certain reductions, including for the market entry of competing products and for loss of patent coverage of licensed products. The Company may deduct from the royalties payable to UCLB one-half of any payments made to a third party to obtain a license to such third party’s intellectual property that is necessary to exploit any licensed products. Once net sales of a licensed product have reached a certain specified threshold, the Company may exercise an option to buy out UCLB’s rights to the remaining milestone payments, royalty payments, and sublicensing revenue payments for such licensed product, on terms to be negotiated at the time.

The License expires on a product-by-product and country-by-country basis upon the expiration of the royalty term with respect to each product in each country. The Company may unilaterally terminate the license agreement for any reason upon advance notice to UCLB. Either party may terminate the License for the uncured material breach by the other party or for the insolvency of the other party. If UCLB terminates the License following the Company's insolvency or the Company's material breach of the License, or if the Company terminates the License unilaterally, all rights and licenses granted to the Company will terminate, and all patent rights and know-how transferred to the Company pursuant to the License will revert back to UCLB, unless and to the extent the Company has exercised its option to acquire ownership of the licensed patent rights. In addition, UCLB has the right to negotiate with the Company for the grant of an exclusive license to the Company's improvements to the T cell programming modules the Company has licensed on terms to be agreed upon at the time.

Noile-Immune Biotech Inc.

In November 2019, the Company entered into an exclusive license agreement (the "License") with Noile-Immune Biotech Inc. ("Noile"). The Company will have the right to develop CAR T cell therapies incorporating Noile's PRIME (proliferation-inducing and migration-enhancing) technology. The PRIME technology is designed to improve proliferation and trafficking into solid tumors of both engineered CAR T cells as well as the patient's own T cells.

The Company paid an upfront fee and may be obligated to make additional payments to Noile under the License Agreement upon the achievement of development milestones and receipt of regulatory approvals product sale milestones, as well as royalty payments based on possible future sales resulting from the utilization of the licensed technology.

Note 9. Income Taxes

The provision for income taxes is based upon the estimated annual effective tax rates for the year applied to the current period loss before tax plus the tax effect of any significant unusual items, discrete events or changes in tax law. Fluctuations in the distribution of pre-tax income among the Company's operating subsidiaries can lead to fluctuations of the effective tax rate in the condensed consolidated financial statements. In the three months ended March 31, 2020 and 2019 the actual effective tax rates were 11.0% and 11.4%, respectively. The slight decrease in the effective tax rate for the three months ended March 31, 2020 as compared to the three months ended March 31, 2019 was due to a slightly lower percentage of costs qualifying for research and development tax relief and US tax treatment of Foreign Derived Intangible Income (FDII).

The actual effective tax rates are lower than the 19% statutory rate of U.K. tax primarily due to administration of the U.K. research and development tax credit.

The tax benefit for the three months ended March 31, 2020 increased to $3.7 million from $3.4 million for three months ended March 31, 2019 due to increased R&D expense and U.S tax treatment of the FDII, offset by foreign exchange gain.

The Company carries a $0.4 million deferred tax asset balance related to the U.S. entity. The Company has recorded a valuation allowance against the net deferred tax asset where the recoverability due to future taxable profits is unknown.

Note 10. Commitments and Contingencies

License Agreement

The Company has entered into an exclusive license agreement with UCLB which has subsequently been amended and restated (see Note 8). In connection with the UCLB license agreement, the Company is required to make annual license payments and may be required to make payments upon the achievement of specified milestones. The Company has estimated the probability of the Company achieving each potential milestone in accordance with ASC 450, *Contingencies*. The Company concluded that, as of March 31, 2020 there was a $0.6 million milestone related to the receipt of the clinical data for its AUTO1 program, the achievement of which was considered probable, and accordingly, the Company has accrued a liability for the expected milestone of $0.6 million as of March 31, 2020. As of March 31, 2020, there were no other milestones for which the likelihood of achievement was probable.

Legal Proceedings

From time to time, the Company may be a party to litigation or subject to claims incident to the ordinary course of business. Regardless of the outcome, litigation can have an adverse impact on the Company because of defense and settlement costs, diversion of management resources and other factors. The Company was not a party to any litigation and did not have contingency reserves established for any liabilities as of March 31, 2020 and December 31, 2019.

Leases

The Company leases certain office space, laboratory space, and equipment. At the inception of an arrangement, the Company determines whether the arrangement is or contains a lease based on the unique facts and circumstances present.

The Company's corporate headquarters are located in London, United Kingdom. The Company leases space at this location from Imperial (Forest House) Limited under a ten year lease, the term of which commenced in September 2015. The lease included an option for the Company to lease additional space within a 15-month period, which the Company exercised in October 2016. The exercise of the option resulted in a separate new lease agreement with a concurrent term through September 2025. The Company has the ability to terminate the lease in September 2020 and the landlord has the option to give notice to terminate the lease from September 2020 onward. The Company has measured its right-of-use assets and lease liabilities based on lease terms ending in September 2025, as the Company is reasonably certain it will not terminate the lease prior to September 2025. In addition to base rent, the Company is obligated to pay its proportionate share of building operating expenses and real estate taxes in excess of base year amounts. These costs are considered to be variable lease payments and are not included in the determination of the lease's right-of-use asset or lease liability.

Prior to the lease commencement date of the Forest House leases, the Company, in conjunction with the landlord, made improvements to the leased space. The total cost of these improvements was funded by the landlord, a portion of the cost will be reimbursed by the Company over the term of the leases. The total cost of the improvements was capitalized as leasehold improvements on the Company's balance sheet, with an offset to long-term lease incentive obligation for the portion funded by the landlord and other long-term payables for the portion to be repaid to the landlord. The lease related to this facility is classified as an operating lease.

In September 2017, the Company executed an arrangement with Catapult Limited to lease a manufacturing suite at the Cell and Gene Therapy Catapult manufacturing center in Stevenage, United Kingdom for a term through May 2021, at which time the Company has the option to renew or terminate the lease. The lease related to this facility is classified as an operating lease. The lease had a six-month rent-free period. In addition to base rent, the Company is obligated to pay its proportionate share of building operating expenses and real estate taxes in excess of base year amounts. These costs are considered to be variable lease payments and are not included in the determination of the lease's right-of-use asset or lease liability. In December 2018, the Company executed an additional lease arrangement for additional manufacturing space for a term through September 2023, at which time the Company has the option to renew or terminate the lease.

In June 2018, the Company signed a binding letter of intent to enter into a lease for office and laboratory space in White City, London. The letter of intent required the Company to enter into a ten-year lease provided that the landlord completed the required leasehold improvements described in the agreement. The leasehold improvements were completed and the lease commenced in January 2019. The Company has the option to terminate the lease in November 2026. In addition to base rent, the Company is obligated to pay its proportionate share of building operating expenses and real estate taxes in excess of base year amounts. These costs are considered to be variable lease payments and are not included in the determination of the lease's right-of-use asset or lease liability. The lease agreement includes an option to lease additional space.

In September 2018, the Company signed a binding letter of intent to enter into a lease for manufacturing space in Enfield, United Kingdom. The letter of intent required the Company to enter into a 15-year lease provided that the landlord completed the required leasehold improvements described in the agreement. The Company executed lease agreements for three manufacturing space units, each for 15-year lease terms. The leases commenced in February 2019 with option to terminate the lease in February 2029. In addition to base rent, the Company is obligated to pay its proportionate share of building operating expenses and real estate taxes in excess of base year amounts. These costs are considered to be variable lease payments and are not included in the determination of the lease's right-of-use asset or lease liability. In December 2019, management discontinued the fit-out of the manufacturing facility, expensed $4.1 million of leasehold improvements from assets under construction in 2019, and reduced the right-of-use asset and lease liability based on the contractual option termination date. The Company is actively seeking to sub-lease or assign the lease arrangement to a third party. The Company completed an asset impairment analysis of the right of use lease asset concluding the undiscounted cash flow exceeded the carrying value as of March 31, 2020.

In October 2018, the Company executed an agreement to sublease office space in Rockville, Maryland for a term through October 2021 then terminated the sublease in February 2020. The Company immediately entered into a five year lease for the same space with the landlord. As a result of the sublease termination, the company recognized a $0.2 million gain in other income (expense). The lease related to this facility is classified as an operating lease. The Company is obligated to pay its proportionate share of building operating expenses and real estate taxes in excess of base year amounts. These costs are considered to be variable lease payments and are not included in the determination of the lease's right-of-use asset or lease liability.

In January 2019, the Company executed a lease agreement to lease additional office and manufacturing space in Rockville, Maryland. The lease agreement required the Company to enter into a 16-year lease provided that the landlord completes the required leasehold improvements described in the agreement. The Company expects the lease to commence in June 2020 for a term through June 2036. The Company has capitalized $2.2 million in leasehold improvements as assets under construction as of March 31, 2020.

Note 11. Employee Benefit Plans

In the United Kingdom, the Company makes contributions to private defined benefit pension schemes on behalf of its employees. The Company expensed $0.3 million and $0.2 million in contributions for the three months ended March 31, 2020 and 2019, respectively.

In the United States, the Company established a defined contribution savings plan under Section 401(k) of the Internal Revenue Code in October 2018. The plan covers substantially all U.S. employees who meet minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pre-tax basis. The Company matches employee contributions up to four percent of the employee's annual salary. The Company expensed $84,000 and $25,000 in matching expenses for the three months ended March 31, 2020 and 2019, respectively. The Company pays all administrative fees related to the 401(k) plan.

Note 12. Subsequent event

The Company evaluated subsequent events through May 7, 2020 the date on which these financial statements were issued.

Exhibit 99.2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read together with the unaudited condensed consolidated financial statements and the related notes to those statements included as Exhibit 99.1 to this Report on Form 6-K submitted to the Securities and Exchange Commission, or the SEC, on May 7, 2020. We also recommend that you read our discussion and analysis of financial condition and results of operations together with our audited financial statements and the notes thereto, which appear in our Annual Report on Form 20-F for the year ended December 31, 2019 filed with the SEC on March 3, 2020.

We maintain our books and records in pounds sterling, our results are subsequently converted to U.S. dollars and we prepare our consolidated financial statements in accordance with generally accepted accounting principles in the United States, or U.S. GAAP, as issued by the Financial Accounting Standards Board, or FASB. All references in this Report on Form 6-K to "$" are to U.S. dollars and all references to "£" are to pounds sterling. Our consolidated financial statements for the three months ended March 31, 2020 and 2019 have been translated from pounds sterling into U.S. dollars at the rate of £1.00 to $1.281 and £1.00 to $1.3043, respectively. Our consolidated financial statements as of March 31, 2020 and December 31, 2019 have been translated from pounds sterling into U.S. dollars at the rate of £1.00 to $1.245 and £1.00 to $1.327. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or any other exchange rate as of that or any other date.

Unless otherwise indicated or the context otherwise requires, all references to "Autolus," the "Company," "we," "our," "us" or similar terms refer to Autolus Therapeutics plc and its consolidated subsidiaries.

The statements in this discussion regarding industry outlook, our expectations regarding our future performance, liquidity and capital resources and other non-historical statements are forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These risks and uncertainties include, but are not limited to, the risks and uncertainties set forth in the "Risk Factors" section of our Annual Report and any subsequent reports that we file with the SEC.

Overview

We are a biopharmaceutical company developing next-generation programmed T cell therapies for the treatment of cancer. Using our broad suite of proprietary and modular T cell programming technologies, we are engineering precisely targeted, controlled and highly active T cell therapies that are designed to better recognize cancer cells, break down their defense mechanisms and attack and kill these cells. We believe our programmed T cell therapies have the potential to be best-in-class and offer cancer patients substantial benefits over the existing standard of care, including the potential for cure in some patients.

Since our inception in July 2014, we have devoted substantially all of our resources to conducting preclinical studies and clinical trials, organizing and staffing our company, business planning, raising capital and establishing our intellectual property portfolio. We do not have any products approved for sale and have not generated any revenue from product sales. We have funded our operations to date primarily with proceeds from government grants and sales of our equity securities, including the net proceeds from our initial public offering of American Depository Shares, or ADSs, in June 2018 and our follow-on offerings in April 2019 and January 2020. From inception through March 31, 2020, we have received aggregate net proceeds of $516.1 million from sales of our equity securities. We do not expect to generate significant revenue unless and until we obtain marketing approval for and commercialize one of our product candidates.

Since our inception, we have incurred significant operating losses. For the three months ended March 31, 2020, we incurred a net loss of $29.9 million and had an accumulated deficit of $267.0 million.

We expect to continue to incur significant expenses for the foreseeable future as we advance our product candidates through preclinical and clinical development, seek regulatory approval and pursue commercialization of any approved product candidates. In addition, if we obtain marketing approval for any of our product candidates, we expect to incur significant commercialization expenses related to product manufacturing, marketing, sales and distribution. In addition, we may incur expenses in connection with the in-license or acquisition of additional product candidates. Furthermore, we have incurred and expect to continue to incur, additional costs associated with operating as a public company, including significant legal, accounting, investor relations and other expenses that we did not incur as a private company.

As a result, we will need substantial additional funding to support our continuing operations and pursue our growth strategy. Until such time as we can generate significant revenue from product sales, if ever, we expect to finance our operations through the sale of equity, debt financings or other capital sources, including potential collaborations with other companies or other strategic transactions. We may be unable to raise additional funds or enter into such other agreements or arrangements when needed on favorable terms, or at all. If we fail to raise capital or enter into such agreements as, and when, needed, we may have to significantly delay, scale back or discontinue the development and commercialization of one or more of our drug candidates or delay our pursuit of potential in-licenses or acquisitions.

As of March 31, 2020, we had cash on hand of $243.3 million. Based on our current clinical development plans, we believe our existing cash and cash equivalents will be able to fund our current and planned operating expenses and capital expenditure requirements through at least the next 12 months. We have based this estimate on assumptions that may prove to be wrong, and we could deplete our available capital resources sooner than we expect.

COVID-19 Business Update

With the global spread of the ongoing COVID-19 pandemic in the first quarter of 2020, we established a cross-functional task force and have implemented business continuity plans designed to address and mitigate the impact of the COVID-19 pandemic on our employees and our business. While we are not experiencing financial impacts at this time, given the global economic slowdown, the overall disruption of global healthcare systems and the other risks and uncertainties associated with the pandemic, our business, financial condition, results of operations and growth prospects could be materially adversely affected. We continue to closely monitor the COVID-19 situation as we evolve our business continuity plans and response strategy. In March 2020, our global workforce transitioned to working remotely. We are currently preparing plans to reopen our offices to allow employees to return to their offices, which will be based on a phased approach that is principles-based and local in design, with a focus on continuity of patient treatment, employee safety and optimal work environment. As of and for the three months ended March 31, 2020, we are not aware of any specific event or circumstance that is having an impact on our operations which would require us to update our estimates, judgments or revise the carrying value of our assets or liabilities.

Components of Our Results of Operations

Grant Income

Grant income consists of proceeds from government research grants used to perform specific research and development activities. We recognize grant income over the period in which we recognize the related costs covered under the terms and conditions of the grant. We have received grants from the U.K. government, which are repayable under certain circumstances, including breach or noncompliance with the terms of the grant. For grants with refund provisions, we review the grant to determine the likelihood of repayment. If the likelihood of repayment of the grant is determined to be remote, then the grant is recognized as grant income.

Operating Expenses

Research and Development Expenses

Research and development expenses consist of costs incurred in connection with the research and development of our product candidates, which are partially offset by research and development expenditure tax credits provided by Her Majesty's Revenue & Customs, or HMRC. We expense research and development costs as incurred. These expenses include:

- expenses incurred under agreements with contract research organizations, or CROs, as well as investigative sites and consultants that conduct our clinical trials, preclinical studies and other scientific development services;
- manufacturing scale-up expenses and the cost of acquiring and manufacturing preclinical and clinical trial materials;
- employee-related expenses, including salaries, related benefits, travel and share-based compensation expense for employees engaged in research and development functions;
- expenses incurred for outsourced professional scientific development services;
- costs for laboratory materials and supplies used to support our research activities;
- allocated facilities costs, depreciation and other expenses, which include rent and utilities; and

- upfront, milestone and management fees for maintaining licenses under our third-party licensing agreements.

We recognize external development costs based on an evaluation of the progress to completion of specific tasks using information provided to us by our service providers.

Our direct research and development expenses are tracked on a program-by-program basis for our product candidates and consist primarily of external costs, such as fees paid to outside consultants and CROs in connection with our preclinical development, manufacturing and clinical development activities. Our direct research and development expenses by program also include fees incurred under license agreements. We do not allocate employee costs or facility expenses, including depreciation or other indirect costs, to specific programs because these costs are deployed across multiple programs and, as such, are not separately classified. We use internal resources primarily to oversee research and development as well as for managing our preclinical development, process development, manufacturing and clinical development activities.

The following tables summarize our research and development expenses incurred by program:

	Three Months Ended March 31,		2020-2019
	2020	2019	Change
	(in thousands)		
Direct research and development expenses by program:			
B cell malignancies (AUTO1 & AUTO3)	$ 3,784	$ 1,912	$ 1,872
T cell lymphoma (AUTO4 & AUTO 5)	171	333	(162)
Multiple myeloma (AUTO8 / AUTO2)	52	323	(271)
Solid tumors (AUTO6 & AUTO7)	88	287	(199)
Total direct research and development expense	4,095	2,855	1,240
Research and discovery expense and unallocated costs:			
Personnel related (including share-based compensation)	15,263	12,637	2,626
Indirect research and development expense	11,929	7,073	4,856
Total research and development expenses	$ 31,287	$ 22,565	$ 8,722

Research and development activities are central to our business model. Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials. As a result, we expect that our research and development expenses will increase substantially over the next few years as we increase personnel costs, initiate and conduct additional clinical trials and prepare regulatory filings related to our product candidates. We also expect to incur additional expenses related to milestone, royalty payments and maintenance fees payable to third parties with whom we have entered into license agreements to acquire the rights related to our product candidates.

The successful development and commercialization of our product candidates is highly uncertain. At this time, we cannot reasonably estimate or know the nature, timing and costs of the efforts that will be necessary to complete the clinical development of any of our product candidates or when, if ever, material net cash inflows may commence from sales of any of our product candidates. This uncertainty is due to the numerous risks and uncertainties associated with development and commercialization activities, including the uncertainty of:

- the scope, progress, outcome and costs of our clinical trials and other research and development activities, including establishing an appropriate safety profile with IND-directed studies;
- successful patient enrollment in, and the initiation and completion of, clinical trials;
- the timing, receipt and terms of any marketing approvals from applicable regulatory authorities;
- establishing commercial manufacturing capabilities or making arrangements with third-party manufacturers;
- development and timely delivery of commercial-grade drug formulations that can be used in our clinical trials and for commercial manufacturing;
- obtaining, maintaining, defending and enforcing patent claims and other intellectual property rights;

- significant and changing government regulation;
- launching commercial sales of our product candidates, if and when approved, whether alone or in collaboration with others;
- maintaining a continued acceptable safety profile of the product candidates following approval; and
- significant competition and rapidly changing technologies within the biopharmaceutical industry.

We may never succeed in achieving regulatory approval for any of our product candidates. We may obtain unexpected results from our clinical trials. We may elect to discontinue, delay or modify clinical trials of some product candidates or focus on others. Any changes in the outcome of any of these variables with respect to the development of our product candidates in clinical development could mean a significant change in the costs and timing associated with the development of these product candidates. For example, if the EMA, the FDA, or another regulatory authority were to delay our planned start of clinical trials or require us to conduct clinical trials or other testing beyond those that we currently expect or if we experience significant delays in enrollment in any of our planned clinical trials, we could be required to expend significant additional financial resources and time on the completion of clinical development of that product candidate. Commercialization of our product candidates will take several years and millions of dollars in development costs.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries, related benefits, travel and share-based compensation expense for personnel in executive, finance, legal and administrative functions. General and administrative expenses also include allocated facility-related costs, patent filing and prosecution costs and professional fees for marketing, insurance, legal, consulting, accounting and audit services.

We anticipate that our general and administrative expenses will increase in the future as we increase our headcount to support the planned development of our product candidates. We anticipate continued increased costs associated with being a U.S. public company, including accounting, audit, legal, regulatory and compliance expenses associated with maintaining compliance with Nasdaq listing rules and SEC requirements, director and officer insurance premiums, and higher investor and public relations costs.

Additionally, if we believe a regulatory approval of one of our product candidates appears likely, we would anticipate an increase in payroll and third party expense as a result of our preparation for commercial operations, especially as it relates to the sales and marketing of our product candidate.

Other Income (Expense)

Other income consists primarily of interest income earned on our cash balances held at a commercial banks and foreign currency transaction gains (losses).

Income Tax Benefit

We are subject to corporate taxation in the United Kingdom and in the United States. Due to the nature of our business, we have generated losses since inception. Our income tax credit recognized represents the sum of the research and development tax credits recoverable in the United Kingdom and income tax payable in the United States.

As a company that carries out extensive research and development activities, we benefit from the U.K. research and development tax credit regime under the scheme for small or medium-sized enterprises, or SMEs, and also claim a Research and Development Expenditure Credit, or RDEC, to the extent that our projects are grant funded. Under the SME regime, we are able to surrender some of our trading losses that arise from our qualifying research and development activities for a cash rebate of up to 33.35% of such qualifying research and development expenditure. The net tax benefit of the RDEC is expected to be 9.7% in the year ending December 31, 2020. We meet the conditions of the SME regime, but also can make claims under the RDEC regime to the extent that our projects are grant funded. Qualifying expenditures largely comprise employment costs for research staff, consumables, outsourced CRO costs and utilities costs incurred as part of research projects. Certain subcontracted qualifying research and development expenditures are eligible for a cash rebate of up to 21.67%. A large portion of costs relating to our research and development, clinical trials and manufacturing activities are eligible for inclusion within these tax credit cash rebate claims.

We may not be able to continue to claim research and development tax credits under the SME regime in the future because we may no longer qualify as a small or medium-sized company. However, we should continue to be able to make claims under the RDEC regime.

Un-surrendered U.K. losses may be carried forward indefinitely to be offset against future taxable profits, subject to numerous utilization criteria and restrictions. The amount that can be offset each year is limited to £5.0 million plus an incremental 50% of U.K. taxable profits. After accounting for tax credits receivable, there were accumulated tax losses for carry forward in the United Kingdom of $139.6 million as of March 31, 2020. The Company carries a $0.4 million deferred tax asset balance related to the U.S. entity. The Company has recorded a valuation allowance against the net deferred tax asset where the recoverability due to future taxable profits is unknown.

In the event we generate revenues in the future, we may benefit from the new U.K. “patent box” regime that allows profits attributable to revenues from patents or patented products to be taxed at an effective rate of 10%.

Value Added Tax, or VAT, is broadly charged on all taxable supplies of goods and services by VAT-registered businesses. Under current rates, an amount of 20% of the value, as determined for VAT purposes, of the goods or services supplied is added to all sales invoices and is payable to HMRC. Similarly, VAT paid on purchase invoices is generally reclaimable from HMRC.

Results of Operations

Comparison of Three Months Ended March 31, 2020 and 2019

The following table summarizes our results of operations for the three months ended March 31, 2020 and 2019 (in thousands):

	Three Months Ended March 31,		
	2020	2019	**Change**
Grant income	$ 338	$ 1,964	$ (1,626)
Operating expenses:			
Research and development	(31,287)	(22,565)	(8,722)
General and administrative	(7,614)	(9,556)	1,942
Total operating expenses, net	(38,563)	(30,157)	(8,406)
Other income (expense):			
Interest income	510	541	(31)
Other income (expense)	4,484	(984)	5,468
Total other income, net	4,994	(443)	5,437
Net loss before income tax	(33,569)	(30,600)	(2,969)
Income tax benefit	3,696	3,421	275
Net loss attributable to ordinary shareholders	$ (29,873)	$ (27,179)	$ (2,694)

Grant Income

Grant income decreased to $0.3 million for the three months ended March 31, 2020 compared to $2.0 million for the three months ended March 31, 2019. The decrease in grant income of $1.6 million was related to a decrease in reimbursable expenditures related to a one-time grant completed in the three months ended March 31, 2019 that did not exist in the three months ended March 31, 2020 submitted to the U.K. government as part of the reimbursement terms of government research grants used to perform specific research and development activities.

Research and Development Expenses

Research and development expenses increased to $31.3 million for the three months ended March 31, 2020 from $22.6 million for the three months ended March 31, 2019. Cash costs, which exclude depreciation and amortization as well as share-based compensation, increased to $25.6 million from $17.5 million. The increase in research and development cash costs of $8.1 million consisted primarily of an increase of compensation-related costs of $2.2 million due to an increase in employee headcount to support the advancement of our product candidates in clinical development, an increase of $3.7 million in project expenses due to the advancement our clinical portfolio which includes research and process development and manufacturing activities necessary to prepare, activate, and monitor clinical trial programs, an increase of $1.8 million in licenses, legal fees and consulting services related to an option to negotiate a future license as well as IT infrastructure and support, and other additional costs in the amount of $0.4 million.

Non-cash costs increased to $5.7 million for the three months ended March 31, 2020 from $5.1 million for the three months ended March 31, 2019. The increase is primarily related to share-based compensation expense included in research and development expenses, which increased by $0.4 million as a result of an increase in the number of stock options and restricted stock units granted in December 2019, and, to a lesser degree, an increase of $0.2 million in depreciation related to the purchase of equipment to support our clinical trials and research activities and leasehold improvements.

General and Administrative Expenses

General and administrative expenses decreased to $7.6 million for the three months ended March 31, 2020 from $9.6 million for the three months ended March 31, 2019. Cash costs, which exclude depreciation expense as well as share-based expense compensation decreased to $5.9 million from $6.3 million. Compensation related expenses decreased by $0.3 million and IT, telecommunication, facility and general office expense costs decreased by $0.3 million, and a decrease of $0.3 million in commercial costs which were offset by an increase in public company costs of $0.5 million primarily related to insurance.

Non-cash costs decreased to $1.7 million for the three months ended March 31, 2020 from $3.3 million for the three months ended March 31, 2019. The decrease is attributed to share-based compensation expense included in general and administrative expenses, which decreased by $1.6 million as a result of the lower fair value of stock options recognized during the period.

Interest Income

Interest income remained mostly unchanged at $0.5 million for the three months ended March 31, 2020 compared to $0.5 million for the three months ended March 31, 2019.

Other Income (Expense)

Other income increased to $4.5 million for the three months ended March 31, 2020 from other expense of $1.0 million for the three months ended March 31, 2019 primarily due an increase of the U.S. dollar exchange rate relative to the pound sterling during the three months ending March 31, 2020 as compared to the three months ended March 31, 2019.

Income Tax Benefit

Income tax benefit increased to $3.7 million for the three months ended March 31, 2020 from $3.4 million for the three months ended March 31, 2019 due to increased R&D expenses and U.S tax treatment of the Foreign Derived Intangible Income (FDII), offset by foreign exchange gain. Research and development credits are obtained at a maximum rate of 33.35% of our qualifying research and development expenses, and the increase in the net credit was primarily attributable to an increase in our eligible research and development expenses.

Liquidity and Capital Resources.

Since our inception, we have not generated any product revenue and have incurred operating losses and negative cash flows from our operations. We expect to incur significant expenses and operating losses for the foreseeable future as we advance our product candidates through preclinical and clinical development, seek regulatory approval and pursue commercialization of any approved product candidates. We expect that our research and development and general and administrative costs will increase in connection with our planned research activities. As a result, we will need additional capital to fund our operations until such time as we can generate significant revenue from product sales.

We do not currently have any approved products and have never generated any revenue from product sales or otherwise. We have funded our operations to date primarily with proceeds from government grants and sales of our equity securities. Through March 31, 2020, we have received aggregate net cash proceeds of $516.1 million from sales of our equity securities. As of March 31, 2020, we had cash of $243.3 million.

We currently have no ongoing material financing commitments, such as lines of credit or guarantees, which are expected to affect our liquidity over the next five years, other than our lease obligations and supplier purchase commitments described below.

Cash Flows

The following table summarizes our cash flows for each of the periods presented:

	Three Months Ended March 31,	
	2020	**2019**
	(in thousands)	
Net cash used in operating activities	$ (24,033)	$ (26,518)
Net cash used in investing activities	(2,637)	(7,329)
Net cash provided by financing activities	74,310	4
Effect of exchange rate changes on cash and restricted cash	(14,972)	4,702
Net increase in cash and restricted cash	$ 32,668	$ (29,141)

Net Cash Used in Operating Activities

During the three months ended March 31, 2020, operating activities used $24.0 million of cash, resulting from our net loss of $29.9 million, and net cash used resulting from changes in our operating assets and liabilities of $1.5 million, partially offset by non-cash charges of $7.3 million. Net cash used resulting from changes in our operating assets and liabilities for the three months ended March 31, 2020 consisted primarily of a $1.4 million increase in prepaid expenses and other assets, current and non-current, decrease in accrued expenses of $0.4 million, offset by $0.5 million decrease in right of use assets from amortization and lease liabilities, net.

During the three months ended March 31, 2019, operating activities used $26.5 million of cash, resulting from our net loss of $27.2 million, and net cash used resulting from changes in our operating assets and liabilities of $8.4 million, partially offset by non-cash charges of $9.0 million. Net cash used resulting from changes in our operating assets and liabilities for the three months ended March 31, 2019 consisted primarily of a $6.8 million increase in prepaid expenses and other assets, a $0.7 million increase in long-term deposits, a $0.9 million decrease in accounts payable and accrued expenses.

Net Cash Used in Investing Activities

During the three months ended March 31, 2020 and 2019, we used $2.6 million and $7.3 million, respectively, of cash in investing activities, which consisted of purchases of property and equipment.

Net Cash Provided by Financing Activities

During the three months ended March 31, 2020, net cash provided by financing activities was $74.3 million, consisting of $74.0 million net cash proceeds from our January 2020 follow-on offering and $0.3 million in unpaid issuance costs. There was minimal cash provided by employee stock option exercises.

During the three months ended March 31, 2019 there was minimal cash provided by employee stock option exercises.

Funding Requirements

We expect our expenses to increase substantially in connection with our ongoing activities, particularly as we advance the preclinical activities and clinical trials of our product candidates. Our expenses will increase as we:

- seek regulatory approvals for any product candidates that successfully complete preclinical and clinical trials;
- establish a sales, marketing and distribution infrastructure in anticipation of commercializing of any product candidates for which we may obtain marketing approval and intend to commercialize on our own or jointly;
- hire additional clinical, medical and development personnel;
- expand our infrastructure and facilities to accommodate our growing employee base; and
- maintain, expand and protect our intellectual property portfolio.

Our primary uses of capital are, and we expect will continue to be, compensation and related expenses, clinical costs, external research and development services, laboratory and related supplies, legal and other regulatory expenses, and administrative and overhead costs. Our future funding requirements will be heavily determined by the resources needed to support development of our product candidates.

Based on our current clinical development plans, we believe our existing cash of $243.3 million at March 31, 2020 will be sufficient to fund our current and planned operating expenses and capital expenditure requirements for at least the next 12 months. We have based these estimates on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we expect. If we receive regulatory approval for our other product candidates, we expect to incur significant commercialization expenses related to product manufacturing, sales, marketing and distribution, depending on where we choose to commercialize. We may also require additional capital to pursue in-licenses or acquisitions of other product candidates.

Because of the numerous risks and uncertainties associated with research, development and commercialization of pharmaceutical product candidates, we are unable to estimate the exact amount of our working capital requirements. Our future funding requirements will depend on and could increase significantly as a result of many factors, including:

- the scope, progress, outcome and costs of our clinical trials and other research and development activities;
- the costs, timing, receipt and terms of any marketing approvals from applicable regulatory authorities;
- the costs of future activities, including product sales, medical affairs, marketing, manufacturing and distribution, for any of our product candidates for which we receive marketing approval;
- the revenue, if any, received from commercial sale of our products, should any of our product candidates receive marketing approval;
- the costs and timing of hiring new employees to support our continued growth;
- the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending intellectual property-related claims; and
- the extent to which we in-license or acquire additional product candidates or technologies.

Until such time, if ever, that we can generate product revenue sufficient to achieve profitability, we expect to finance our cash needs through equity offerings. To the extent that we raise additional capital through the sale of equity, your ownership interest will be diluted. If we raise additional funds through other third-party funding, collaborations agreements, strategic alliances, licensing arrangements or marketing and distribution arrangements, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity financings when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market products or product candidates that we would otherwise prefer to develop and market ourselves.

Critical Accounting Policies and Significant Judgments and Estimates

Our condensed consolidated financial statements are prepared in accordance with U.S. GAAP. The preparation of our condensed consolidated financial statements and related disclosures requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, costs and expenses, and the disclosure of contingent assets and liabilities in our condensed consolidated financial statements. We base our estimates on historical experience, known trends and events and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are described in more detail in Note 2 to our condensed consolidated financial statements appearing in Exhibit 99.1 of this Report on Form 6-K, we believe that the following accounting policies are those most critical to the judgments and estimates used in the preparation of our condensed consolidated financial statements.

Share-Based Compensation

We issue ordinary shares as well as options and other securities exercisable for or convertible into ordinary shares or ADSs as incentives to our employees and directors. To the extent such incentives are in the form of share options, the options are granted pursuant to the terms of our 2017 Share Option Plan, or the 2017 Plan, or pursuant to the terms of our 2018 Equity Incentive Plan, or the 2018 Plan. Options granted under the 2017 Plan and 2018 Plan, as well as shares granted as employee incentives, typically vest over a four-year service period with 25% of the award vesting on the first anniversary of the commencement date and the balance vesting monthly over the remaining three years, unless the awards contain specific performance vesting provisions. For equity awards issued that have both a performance vesting condition and a services condition, or performance awards, once the performance criteria is achieved, the performance awards are then subject to a four-year service vesting with 25% of the performance award vesting on the first anniversary of the performance condition being achieved, with the balance vesting monthly over the remaining three years. For certain members of senior management and directors, the board has approved an alternative vesting schedule for the equity awards. The options granted under the 2017 Plan and 2018 Plan generally expire ten years from the date of grant. We expect our share-based compensation expense for awards granted to employees, directors and other service providers to increase in future periods due to planned increases in our headcount.

We recognize compensation expense for equity awards based on the grant date fair value of the award. For equity awards that vest based on a service condition, the share-based compensation expense is recognized on a straight-line basis over the requisite service period. For equity awards that contain both performance and service conditions, we recognize share-based compensation expense ratably over the requisite service period when the achievement of a performance-based milestone is probable based on the relative satisfaction of the performance condition as of the reporting date. We use the fair value of our ordinary shares to determine the fair value of restricted share awards.

Share-based compensation is recognized as an expense in the condensed consolidated financial statements based on the grant date fair value over the requisite service period. For awards granted to our employees and directors that vest based on service conditions, we use the accelerated method to allocate compensation expense to reporting periods. We do not adjust share-based compensation for estimated forfeitures and account for forfeitures when they occur.

We use the Black-Scholes option pricing model to estimate the fair value of share options. This option-pricing model requires the input of various subjective assumptions, including the option's expected life and the price volatility of the security.

The fair value of each share option grant is estimated on the date of grant using the Black-Scholes option pricing model and applying assumptions used in connection with option grants made during the periods covered by these condensed consolidated financial statements. Assumptions used in the option pricing model include the following:

Expected volatility. We lack company-specific historical and implied volatility information for our ADSs. Therefore, we estimate the expected share volatility based on the historical volatility of publicly traded peer companies and expect to continue to do so until such time as we have adequate historical data regarding the volatility of our own traded security price.

Expected term. The expected term of options granted represents the weighted average period of time that options granted are expected to be outstanding giving consideration to vesting schedules and our historical exercise patterns. The expected term of our share options has been determined utilizing the "simplified" method for awards that qualify as "plain-vanilla" options.

Risk-free interest rate. The risk-free interest rate is determined by reference to the U.S. Treasury yield curve in effect at the time of grant of the award for time periods that are approximately equal to the expected term of the award.

Expected dividend. Expected dividend yield of zero is based on the fact that we have never paid cash dividends on ordinary shares and do not expect to pay any cash dividends in the foreseeable future.

Fair value of ordinary shares. Options granted after our IPO are issued at the fair market value of our ADSs at the date the grant is approved by the Board.

Income Taxes

We account for income taxes under the asset and liability method which includes the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in our financial statements. Under this approach, deferred taxes are recorded for the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. The provision for income taxes represents income taxes paid or payable for the current year plus deferred taxes. Deferred taxes result from differences between the financial statements and tax bases of our assets and liabilities, and are adjusted for changes in tax rates and tax laws when changes are enacted. The effects of future changes in income tax laws or rates are not anticipated.

We are subject to corporation taxes in the United Kingdom and the United States. The calculation of our tax provision involves the application of U.K. tax law and requires judgement and estimates.

We evaluate the realizability of our deferred tax assets at each reporting date, and we establish a valuation allowance when it is more likely than not that all or a portion of our deferred tax assets will not be realized.

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income of the same character and in the same jurisdiction. We consider all available positive and negative evidence in making this assessment, including, but not limited to, the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies. In circumstances where there is sufficient negative evidence indicating that our deferred tax assets are not more likely than not realizable, we establish a valuation allowance.

We use a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate tax positions taken or expected to be taken in a tax return by assessing whether they are more likely than not sustainable, based solely on their technical merits, upon examination, and including resolution of any related appeals or litigation process. The second step is to measure the associated tax benefit of each position as the largest amount that we believe is more likely than not realizable. Differences between the amount of tax benefits taken or expected to be taken in our income tax returns and the amount of tax benefits recognized in our financial statements represent our unrecognized income tax benefits, which we either record as a liability or as a reduction of deferred tax assets.

Deferred Tax and Current Tax Credits

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognized in the statement of operations, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Tax credits are accrued for the year based on calculations that conform to the U.K. research and development tax credit regime, under both the SME and large company regimes. We meet the conditions of the SME regime, but also can make claims under the RDEC regime to the extent that our projects are grant funded.

We may not be able to continue to claim research and development tax credits under the SME regime in the future because we may no longer qualify as a small or medium-sized company. However, we should continue to be able to make claims under the RDEC regime.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. No deferred tax assets are recognized on our losses carried forward and other attributes because there is currently no indication that we will make sufficient profits to utilize these attributes.

JOBS Act

On April 5, 2012, the Jumpstart Our Business Startups Act, or the JOBS Act, was enacted. The JOBS Act provides that, among other things, an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. As an emerging growth company, we have irrevocably elected not to take advantage of the extended transition period afforded by the JOBS Act for implementation of new or revised accounting standards and, as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth public companies.

In addition, we also currently rely on the other exemptions and reduced reporting requirements provided by the JOBS Act. Subject to certain conditions set forth in the JOBS Act, we are entitled to continue to rely on certain exemptions as an “emerging growth company,” and we are not required to, among other things, (i) provide an auditor’s attestation report on our system of internal controls over financial

reporting pursuant to Section 404(b), (ii) provide all of the compensation disclosure that may be required of non-emerging growth public companies under the Dodd-Frank Wall Street Reform and Consumer Protection Act, (iii) comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements (auditor discussion and analysis), and (iv) disclose certain executive compensation-related items such as the correlation between executive compensation and performance and comparisons of the chief executive officer's compensation to median employee compensation. These exemptions will apply for a period of five years following the completion of our IPO or until we no longer meet the requirements of being an emerging growth company, whichever is earlier.

Recent Accounting Pronouncements Adopted

A description of recently issued accounting pronouncements that may potentially impact our financial position and results of operations is disclosed in Note 2, "Summary of Significant Accounting Policies," to our condensed consolidated financial statements included in Exhibit 99.1 of this Report on Form 6-K.