vTv Therapeutics Inc.
Form 10-Q
August 02, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2017

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number: 001-37524

vTv Therapeutics Inc.

(Exact name of registrant as specified in its charter)

Delaware	47-3916571
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4170 Mendenhall Oaks Pkwy	27265

High Point, NC
(Address of principal executive offices) (Zip Code)

(336) 841-0300

(Registrant's telephone number, including area code)

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

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

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

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

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

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

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

Class of Stock	Shares Outstanding as of August 2, 2017
Class A common stock, par value $0.01 per share	9,693,254
Class B common stock, par value $0.01 per share	23,119,246

vTv THERAPEUTICS INC. AND SUBSIDIARIES

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FOR THE QUARTER ENDED June 30, 2017

PART I – FINANCIAL INFORMATION

The financial statements and other disclosures contained in this report include those of vTv Therapeutics Inc. (“we”, the “Company” or the “Registrant”), which is the registrant, and those of vTv Therapeutics LLC (“vTv LLC”), which is the principal operating subsidiary of the Registrant. Unless the context suggests otherwise, references in this Quarterly Report on Form 10-Q to the “Company”, “we”, “us” and “our” refer to vTv Therapeutics Inc. and its consolidated subsidiaries.

vTv Therapeutics Inc.

Condensed Consolidated Balance Sheets

(in thousands, except number of shares and per share data)

	June 30, 2017 (Unaudited)	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 32,513	$ 51,505
Prepaid expenses and other current assets	639	612
Total current assets	33,152	52,117
Property and equipment, net	374	444
Other long-term assets	2,253	1,934
Total assets	$ 35,779	$ 54,495
Liabilities, Redeemable Noncontrolling Interest and Stockholders' Deficit		
Current liabilities:		
Accounts payable and accrued expenses	$ 10,734	$ 11,413
Deferred revenue	—	21
Current portion of notes payable	521	—
Total current liabilities	11,255	11,434
Notes payable	18,516	11,058
Other liabilities	273	433
Total liabilities	30,044	22,925
Commitments and contingencies		
Redeemable noncontrolling interest	112,145	122,515
Stockholders' deficit:		
Class A Common Stock, $0.01 par value; 100,000,000 shares authorized, 9,693,254 shares outstanding as of June 30, 2017 and December 31, 2016	97	97
Class B Common Stock, $0.01 par value; 100,000,000 shares authorized, 23,119,246 shares outstanding as of June 30, 2017 and December 31, 2016	232	232
Additional paid-in capital	126,077	124,212
Accumulated deficit	(232,816)	(215,486)
Total stockholders' deficit attributable to vTv Therapeutics Inc.	(106,410)	(90,945)
Total liabilities, redeemable noncontrolling interest and stockholders' deficit	$ 35,779	$ 54,495

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

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vTv Therapeutics Inc.

Condensed Consolidated Statements of Operations - Unaudited

(in thousands, except number of shares and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenue	$13	$182	$43	$558
Operating expenses:				
Research and development	9,623	12,077	20,583	23,218
Research and development - related party	—	72	—	266
General and administrative	3,005	2,672	5,829	5,253
Total operating expenses	12,628	14,821	26,412	28,737
Operating loss	(12,615)	(14,639)	(26,369)	(28,179)
Other income (loss), net	—	1	—	—
Interest income	33	22	60	45
Interest expense	(832)	(1)	(1,391)	(3)
Loss before income taxes and noncontrolling interest	(13,414)	(14,617)	(27,700)	(28,137)
Income tax provision	—	—	—	—
Net loss before noncontrolling interest	(13,414)	(14,617)	(27,700)	(28,137)
Less: net loss attributable to noncontrolling interest	(9,451)	(10,160)	(19,517)	(19,828)
Net loss attributable to vTv Therapeutics Inc.	$(3,963)	$(4,457)	$(8,183)	$(8,309)
Net loss per share of vTv Therapeutics Inc. Class A Common Stock, basic and diluted	$(0.41)	$(0.47)	$(0.84)	$(0.88)
Weighted-average number of vTv Therapeutics Inc. Class A Common Stock, basic and diluted	9,693,254	9,564,623	9,693,254	9,397,134

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

vTv Therapeutics Inc.

Condensed Consolidated Statement of Changes in Redeemable Noncontrolling Interest and Stockholders' Deficit - Unaudited

(in thousands, except number of shares)

		Class A Common Stock		Class B Common Stock				
	Redeemable Noncontrolling Interest	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
Balances at December 31, 2016	122,515	9,693,254	97	23,119,246	232	124,212	(215,486)	(90,945)
Net loss	(19,517)	—	—	—	—	—	(8,183)	(8,183)
Share-based compensation	—	—	—	—	—	1,698	—	1,698
Issuance of warrants to purchase Class A Common Stock	—	—	—	—	—	167	—	167
Change in redemption value of noncontrolling interest	9,147	—	—	—	—	—	(9,147)	(9,147)
Balances at June 30, 2017	$ 112,145	9,693,254	$ 97	23,119,246	$ 232	$ 126,077	$ (232,816)	$ (106,410)

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

vTv Therapeutics Inc.

Condensed Consolidated Statements of Cash Flows - Unaudited

(in thousands)

	Six Months Ended June 30,	
	2017	2016
Cash flows from operating activities:		
Net loss before noncontrolling interest	$(27,700)	$(28,137)
Adjustments to reconcile net loss before noncontrolling interest to net cash used in operating activities:		
Loss on disposal of PP&E, net	5	(2)
Depreciation expense	104	148
Share-based compensation expense	1,698	1,306
Amortization of debt discount	479	—
Changes in assets and liabilities:		
Accounts receivable	—	69
Prepaid expenses and other assets	(27)	691
Employee loans receivable – related party	—	25
Other long-term assets	(319)	(261)
Accounts payable and accrued expenses	(679)	2,863
Accounts payable and accrued expenses – related party	—	(568)
Deferred revenue	(21)	(198)
Other liabilities	7	9
Net cash used in operating activities	(26,453)	(24,055)
Cash flows from investing activities:		
Proceeds from sale of assets	—	4
Purchases of property and equipment	(39)	(87)
Net cash used in investing activities	(39)	(83)
Cash flows from financing activities:		
Proceeds from debt issuance	7,500	—
Repayment of long-term obligations	—	(24)
Net cash provided by (used in) financing activities	7,500	(24)
Net decrease in cash and cash equivalents	(18,992)	(24,162)
Cash and equivalents, beginning of period	51,505	88,003
Cash and equivalents, end of period	$32,513	$63,841
Non-cash activities:		
Change in redemption value of noncontrolling interest	$9,147	$(2,308)
Exchange of vTv Therapeutics Inc. Class B Common Stock and vTv Therapeutics, LLC member units for vTv Therapeutics Inc. Class A Common Stock	$—	$3,145

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

vTv Therapeutics Inc.

Notes to Condensed Consolidated Financial Statements – Unaudited

(dollar amounts are in thousands, unless otherwise noted)

Note 1: Description of Business, Basis of Presentation and Going Concern

Description of Business

vTv Therapeutics Inc. (the "Company," the "Registrant," "we" or "us") was incorporated in the state of Delaware in April 2015. The Company was formed to discover and develop orally administered small molecule drug candidates to fill significant unmet medical needs.

Principles of Consolidation

vTv Therapeutics Inc. is a holding company and its principal asset is a controlling equity interest in vTv Therapeutics LLC ("vTv LLC"), the Company's principal operating subsidiary, which is a clinical-stage biopharmaceutical company engaged in the discovery and development of orally administered small molecule drug candidates to fill significant unmet medical needs.

The Company has determined that vTv LLC is a variable-interest entity ("VIE") for accounting purposes and that vTv Therapeutics Inc. is the primary beneficiary of vTv LLC because (through its managing member interest in vTv LLC and the fact that the senior management of vTv Therapeutics Inc. is also the senior management of vTv LLC) it has the power and benefits to direct all of the activities of vTv LLC, which include those that most significantly impact vTv LLC's economic performance. vTv Therapeutics Inc. has therefore consolidated vTv LLC's results pursuant to Accounting Standards Codification Topic 810, "Consolidation" in its Condensed Consolidated Financial Statements. As of June 30, 2017, various holders own non-voting interests in vTv LLC, representing a 70.5% economic interest in vTv LLC, effectively restricting vTv Therapeutics Inc.'s interest to 29.5% of vTv LLC's economic results, subject to increase in the future, should vTv Therapeutics Inc. purchase additional non-voting common units ("vTv Units") of vTv LLC, or should the holders of vTv Units decide to exchange such units (together with shares of Class B Common Stock) for shares of Class A Common Stock (or cash) pursuant to the Exchange Agreement (as defined in Note 7). vTv Therapeutics Inc. has provided financial and other support to vTv LLC in the form of its purchase of vTv Units with the net proceeds of the Company's initial public offering ("IPO") in 2015 and its agreeing to be a co-borrower under the Venture Loan and Security Agreement (the "Loan Agreement") with Horizon Technology Finance Corporation and Silicon Valley Bank (together, the "Lenders") which was entered into in 2016. vTv Therapeutics Inc. will not be required to provide financial or other support for vTv LLC outside of its obligations pertaining to the Loan Agreement as a co-borrower. However, vTv Therapeutics Inc. will control its business and other activities through its managing member interest in vTv LLC, and its management is the management of vTv LLC. The creditors of vTv LLC do not have any recourse to the general credit of vTv Therapeutics Inc. except as allowed under the provisions of the Loan Agreement. Nevertheless, because vTv Therapeutics Inc. will have no material assets other than its interests in vTv LLC, any financial difficulties at vTv LLC could result in vTv Therapeutics Inc. recognizing a loss.

Going Concern and Liquidity

To date, the Company has not generated any product revenue and has not achieved profitable operations. The continuing development of our drug candidates will require additional financing. From its inception through June 30, 2017, the Company has funded its operations primarily through a combination of private placements of preferred equity, research collaboration agreements, upfront and milestone payments for license agreements, debt financing and the completion of its IPO in August 2015. As of June 30, 2017, the Company has an accumulated deficit of $232.8 million and has generated net losses in each year of its existence. Management estimates that the cash and cash equivalents balance as of June 30, 2017 of $32.5 million will allow the Company to continue its operations and activities for a period of less than twelve months from the issuance of these Condensed Consolidated Financial Statements. Management is currently seeking possible partnering opportunities for our glucokinase activator ("GKA"), glucagon-like peptide-1 receptor agonist ("GLP-1r") and other drug candidates which may provide additional capital, if consummated. However, the timing of such events occurring, if at all, is not yet determinable. Additionally, we may finance our cash needs through a combination of equity offerings, debt financings, other collaborations or strategic alliances. Further, there is no assurance that profitable operations will ever be achieved, and, if achieved, could be sustained on a continuing basis. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Based on our current operating plan, we believe that our current cash and cash equivalents will allow us to meet our liquidity requirements through the receipt of top-line results for Subpart A of our STEADFAST Study in early 2018.

The Company's financial statements have been prepared assuming the Company will continue as a going concern, which contemplates, among other things, the realization of assets and satisfaction of liabilities in the normal course of business. The Condensed Consolidated Financial Statements do not include adjustments to reflect the possible future effects on the recoverability and classification of recorded assets or the amounts of liabilities that might be necessary should the Company be unable to continue as a going concern.

Note 2: Summary of Significant Accounting Policies

Unaudited Interim Financial Information

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The accompanying Condensed Consolidated Balance Sheet as of June 30, 2017, Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2017 and 2016, Condensed Consolidated Statement of Changes in Redeemable Noncontrolling Interest and Stockholders' Deficit for the six months ended June 30, 2017 and Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2017 and 2016 are unaudited. These unaudited financial statements have been prepared in accordance with the rules and regulations of the United States Securities and Exchange Commission ("SEC") for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. These financial statements should be read in conjunction with the audited financial statements and the accompanying notes for the year ended December 31, 2016 contained in the Company's Annual Report on Form 10-K. The unaudited interim financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments (consisting of normal recurring adjustments) necessary to state fairly the Company's financial position as of June 30, 2017, the results of operations for the three and six months ended June 30, 2017 and 2016 and cash flows for the six months ended June 30, 2017 and 2016. The December 31, 2016 Condensed Consolidated Balance Sheet included herein was derived from the audited financial statements, but does not include all disclosures or notes required by GAAP for complete financial statements.

The financial data and other information disclosed in these notes to the financial statements related to the three and six months ended June 30, 2017 and 2016 are unaudited. Interim results are not necessarily indicative of results for an entire year.

The Company does not have any components of other comprehensive income recorded within its Condensed Consolidated Financial Statements, and, therefore, does not separately present a statement of comprehensive income in its Condensed Consolidated Financial Statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

On an ongoing basis, the Company evaluates its estimates, including those related to the grant date fair value of equity awards, the fair value of the Class B Common Stock, the useful lives of property and equipment, the fair value of

derivative liabilities, and the fair value of the Company's debt, among others. The Company bases its estimates on historical experience and on various other assumptions that it believes to be reasonable, the results of which form the basis for making judgments about the carrying value of assets and liabilities.

Concentration of Credit Risk

Financial instruments that potentially expose the Company to concentrations of credit risk consist principally of cash on deposit with multiple financial institutions. The balances of these cash accounts frequently exceed insured limits.

There were no accounts receivable balances outstanding as of June 30, 2017 and December 31, 2016.

One and two customers represented 100% of the revenue earned during the three and six months ended June 30, 2017 and 2016, respectively.

Cash and Cash Equivalents

The Company considers any highly liquid investments with an original maturity of three months or less to be cash and cash equivalents.

Collaboration Revenue

The majority of the Company's collaboration revenue recognized in the three and six months ended June 30, 2016 is related to an exclusive global license agreement (the "License Agreement"), which the Company entered into on March 6, 2015 with Calithera Biosciences, Inc. ("Calithera"), granting Calithera exclusive world-wide rights to research, develop and commercialize the Company's portfolio of hexokinase II inhibitors. Under the terms of the License Agreement, Calithera paid the Company an initial license fee of $0.6 million and potential development and regulatory milestone payments totaling up to $30.5 million for the first licensed product, an additional $77.0 million in potential sales-based milestones, as well as royalty payments, based on tiered sales of the first commercialized licensed product. In addition, the Company recognized a total of $0.3 million for the three and six months ended June 30, 2016 for the costs associated with up to four full-time employees for the Company to develop additional hexokinase inhibitors. If Calithera develops additional licensed products, after achieving regulatory approval of the first licensed product, Calithera would owe additional regulatory milestone payments and additional royalty payments based on sales of such additional licensed products.

Revenue Recognition

The Company uses the revenue recognition guidance established by ASC Topic 605, "Revenue Recognition." The Company recognizes revenue when: 1) persuasive evidence of an arrangement exists; 2) the service has been provided to the customer; 3) collection of the fee is reasonably assured; and 4) the amount of the fee to be paid by the customer is fixed or determinable. In determining the accounting for collaboration and alliance agreements, the Company follows the provisions of ASC Topic 605, Subtopic 25, "Multiple-Element Arrangements" ("ASC 605-25") and ASC 808 ("Collaborative Arrangements"). ASC 605-25 provides guidance on whether an arrangement that involves multiple revenue-generating activities or deliverables should be divided into separate units of accounting for revenue recognition purposes and, if division is required, how the arrangement consideration should be allocated among the separate units of accounting. If a deliverable has value on a stand-alone basis, the Company treats the deliverable as a separate unit of accounting. If the arrangement constitutes separate units of accounting according to the separation criteria of ASC 605-25, the consideration received is allocated among the separate units of accounting and the applicable revenue recognition criteria is applied to each unit. The Company determines how to allocate amounts received under agreements among the separate units based on the respective selling price of each unit. If the arrangement constitutes a single unit of accounting, the revenue recognition policy must be determined for the entire arrangement and the consideration received is recognized over the period of inception through the date the last deliverable within the single unit of accounting is expected to be delivered.

Collaboration research and development revenue is earned and recognized as research is performed and related expenses are incurred. Non-refundable upfront fees are recorded as deferred revenue and recognized into revenue as license fees and milestones from collaborations on a straight-line basis over the estimated period of the Company's substantive performance obligations. If the Company does not have substantive performance obligations, it recognizes non-refundable upfront fees into revenue ratably over the period during which the product deliverable is provided to the customer.

Revenue for non-refundable payments based on the achievement of milestone events under collaborative arrangements is recognized in accordance with ASC Topic 605, Subtopic 28, "Milestone Method" ("ASC 605-28"). Milestone events under the Company's collaboration agreements may include research, development, regulatory,

commercialization, and sales events. Under ASC 605-28, a milestone payment is recognized as revenue when the applicable event is achieved if the event meets the definition of a milestone and the milestone is determined to be substantive. ASC 605-28 defines a milestone event as an event having all of the following characteristics: (1) substantive uncertainty regarding achievement of the milestone event exists at the inception of the arrangement; (2) the event can only be achieved based, in whole or in part, on either the Company's performance or a specific outcome resulting from the Company's performance; and (3) if achieved, the event will result in additional payment due to the Company. The Company also treats events that can only be achieved based, in whole or in part, on either a third party's performance or a specific outcome resulting from a third party's performance as milestone events if the criteria of ASC 605-28 are otherwise satisfied.

Research and development costs that are reimbursable under collaboration agreements are recorded in accordance with ASC Topic 605, Subtopic 45, "Principal-Agent Considerations." Amounts reimbursed under a cost-sharing arrangement are reflected as reductions of research and development expense.

Research and Development

Major components of research and development costs include cash and share-based compensation, depreciation expense on research and development property and equipment, costs of preclinical studies, clinical trials and related clinical manufacturing, costs of drug development, costs of materials and supplies, facilities costs, overhead costs, regulatory and compliance costs, and fees paid to consultants and other entities that conduct certain research and development activities on the Company's behalf. Research and development costs are expensed as incurred.

The Company records accruals based on estimates of the services received, efforts expended and amounts owed pursuant to contracts with numerous contract research organizations. In the normal course of business, the Company contracts with third parties to perform various clinical study activities in the ongoing development of potential products. The financial terms of these agreements are subject to negotiation and variation from contract to contract and may result in uneven payment flows. Payments under the contracts depend on factors such as the achievement of certain events and the completion of portions of the clinical study or similar conditions. The objective of the Company's accrual policy is to match the recording of expenses in its financial statements to the actual services received and efforts expended. As such, expense accruals related to clinical studies are recognized based on the Company's estimate of the degree of completion of the event or events specified in the specific clinical study.

The Company records nonrefundable advance payments it makes for future research and development activities as prepaid expenses. Prepaid expenses are recognized as expense in the Condensed Consolidated Statements of Operations as the Company receives the related goods or services.

Share-Based Compensation

Compensation expense for share-based compensation awards is based on the fair value of the award at the date of grant, and compensation expense is recognized for those awards earned over the service period. The grant date fair value of stock option awards is estimated using the Black-Scholes option pricing formula. Due to the lack of sufficient historical trading information with respect to its own shares, the Company estimates expected volatility based on a portfolio of selected stocks of companies believed to have market and economic characteristics similar to its own. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant. The fair value of restricted stock unit ("RSU") grants are based on the market value of our Class A Common Stock on the date of grant. The Company also estimates the number of share-based awards that are expected to be forfeited based on historical employee turnover rates.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue From Contracts With Customers", that outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The ASU is based on the core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also requires disclosures sufficient to enable users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, including qualitative and quantitative disclosures about contracts with customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. Entities have the option of using either a full retrospective or a modified retrospective approach for the adoption of the new standard. In addition, in March, April, and May 2016, the FASB issued final amendments to clarify the implementation guidance for principal versus agent considerations, identifying performance obligations and the accounting for licenses of intellectual property, and narrow-scope improvements and practical expedients,

respectively. This ASU is effective for fiscal years beginning after December 15, 2017 including interim periods within that reporting period. The Company plans to adopt this guidance using the modified retrospective transition method. To date, the Company has not generated any revenue from drug sales and its ability to recognize revenue from its collaboration and licensing agreements is contingent upon its ability to enter into such agreements in the future or the clinical success and subsequent approval by the United States Food and Drug Administration of investigational drug products subject to its current agreements. As such, the Company will continue to evaluate the effect this standard will have on the Company's Condensed Consolidated Financial Statements based on its potential future revenue sources.

In February 2016, the FASB issued ASU No. 2016-02, "Lease (Topic 842)" ("ASU 2016-02"), which increases transparency and comparability among companies accounting for lease transactions. The most significant change of this update will require the recognition by a lessee of lease assets and liabilities on its balance sheet for operating lease arrangements with lease terms greater than 12 months. This update will require a modified retrospective application which includes a number of optional practical expedients related to the identification and classification of leases commenced before the effective date. This ASU is effective for fiscal years and interim periods within those fiscal years, beginning after December 18, 2018. The adoption of this guidance will result in the recognition of additional assets and liabilities related to the Company's operating leases within its Condensed Consolidated Balance Sheets.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"), which simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The Company adopted this guidance in the first quarter of fiscal 2017 on a prospective basis and will continue to estimate forfeitures of outstanding awards throughout the requisite service period. The adoption of this guidance did not have a material impact on the Company's Condensed Consolidated Financial Statements.

In May 2017, the FASB issued ASU No. 2017-09, "Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting" ("ASU 107-09"), which clarifies the changes to terms or conditions of a share-based payment award that require an entity to apply modification accounting. ASU 2017-09 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2017. Early application is permitted and prospective application is required. The Company does not expect that the adoption of this guidance will have a material impact on the Company's Condensed Consolidated Financial Statements.

Note 3: Share-Based Compensation

During the three and six months ended June 30, 2017, the Company issued non-qualified stock option awards and restricted stock units to certain employees and directors of the Company. As of June 30, 2017, the Company had total unrecognized stock-based compensation expense for its outstanding stock option awards of approximately $5.9 million, which is expected to be recognized over a weighted average period of 1.9 years. The weighted average grant date fair value of option grants during the three and six months ended June 30, 2017 and 2016 was $3.80 and $4.57 per option, respectively. The aggregate intrinsic value of the stock option awards outstanding at June 30, 2017 was $0.

The Company uses the Black-Scholes option pricing model to calculate the fair value of stock options granted. The fair value of stock options granted was estimated using the following assumptions:

	For the Six Months Ended June 30,	
	2017	2016
Expected volatility	84.22% - 85.93%	81.57% - 87.23%
Expected life of option, in years		5.0 - 6.0

	5.8 - 6.0	
	1.94% - 2.24%	1.22% - 1.42%
Risk-free interest rate		
Expected dividend yield	0.00%	0.00%

The following table summarizes the activity related to the stock option awards for the six months ended June 30, 2017:

	Number of Shares	Weighted-Average Exercise Price
Awards outstanding at December 31, 2016	1,096,101	$ 10.68
Granted	871,000	5.79
Forfeited	(5,667)	6.69
Awards outstanding at June 30, 2017	1,961,434	$ 8.52
Options exercisable at June 30, 2017	378,416	$ 10.87
Weighted average remaining contractual term	8.3 Years	
Options vested and expected to vest at June 30, 2017	1,851,742	$ 8.64
Weighted average remaining contractual term	8.9 Years	

The following table summarizes the activity related to the awards of RSUs for the six months ended June 30, 2017:

	Number of Shares	Weighted-Average Grant Date Fair Value
Awards outstanding at December 31, 2016	—	$ —
Granted	35,000	5.81
Awards outstanding at June 30, 2017	35,000	$ 5.81
RSUs vested and expected to vest at June 30, 2017	33,830	$ 5.81

As of June 30, 2017, the Company had total unrecognized stock-based compensation expense for its outstanding RSU awards of approximately $0.2 million, which is expected to be recognized over a weighted-average period of 2.7 years. The aggregate intrinsic value of the RSUs outstanding at June 30, 2017 was $0.2 million.

Compensation expense related to the grants of stock options and RSUs is included in research and development and general and administrative expense as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Research and development	$395	$253	$672	$482
General and administrative	564	446	1,026	824
Total share-based compensation expense	$959	$699	$1,698	$1,306

Note 4:Notes Payable

Notes payable consist of the following (in thousands):

	June 30, 2017	December 31, 2016
Notes payable under the Loan Agreement	$20,000	$ 12,500
Less: Debt discount	(963)	(1,442)
Total notes payable	19,037	11,058
Less: Current portion	(521)	—
Total notes payable, net of current portion	$18,516	$ 11,058

On October 28, 2016, the Company and vTv LLC entered into the Loan Agreement under which the Company and vTv LLC could borrow up to $25.0 million in three tranches of $12.5 million, $7.5 million and $5.0 million,

respectively.

The Company borrowed the first tranche of $12.5 million upon closing of the transaction on October 28, 2016 and the second tranche of $7.5 million on March 24, 2017. The availability of the third tranche of $5.0 million expired unused on June 30, 2017.

Each loan tranche bears interest at a floating rate equal to 10.5% plus the amount by which the one-month London Interbank Offer Rate ("LIBOR") exceeds 0.5%.

The Company has agreed to repay the first tranche of $12.5 million on an interest only basis monthly until May 1, 2018 followed by equal monthly payments of principal plus accrued interest through the scheduled maturity date for the first tranche loan on May 1, 2020. In addition, a final payment for the first tranche loan equal to $0.8 million will be due on May 1, 2020, or such earlier date specified in the Loan Agreement. The Company has agreed to repay the second tranche of $7.5 million on an interest only basis monthly until October 1, 2018 followed by equal monthly payments of principal plus accrued interest through the scheduled maturity date for the second tranche loan on October 1, 2020. In addition, a final payment for the second tranche loan equal to $0.5 million will be due on October 1, 2020, or such earlier date specified in the Loan Agreement.

If the Company repays all or a portion of the loan prior to the applicable maturity date, it will pay the Lenders a prepayment penalty fee, based on a percentage of the then outstanding principal balance equal to 4.0% during the first 18 months following the funding of the second tranche and 2.0% thereafter.

The Company's obligations under the Loan Agreement are secured by a first priority security interest in substantially all of its assets other than its intellectual property. Subject to certain conditions related to the Company's Phase 3 clinical trial of azeliragon, the Company may be required to grant a security interest in its intellectual property. The Company has agreed not to pledge or otherwise encumber its intellectual property assets, subject to certain exceptions.

The Loan Agreement includes customary affirmative and restrictive covenants, including, but not limited to, restrictions on the payment of dividends or other equity distributions and the incurrence of debt or liens upon the assets of the Company or its subsidiaries. The Loan Agreement does not contain any financial maintenance covenants. The Loan Agreement includes customary

events of default, including payment defaults, covenant defaults, and material adverse change default. Upon the occurrence of an event of default and following any applicable cure periods, a default interest rate of an additional 5% will be applied to the outstanding loan balances, and the Lenders may declare all outstanding obligations immediately due and payable and take such other actions as set forth in the Loan Agreement.

In connection with the Loan Agreement, the Company issued to the Lenders warrants to purchase shares of the Company's Class A Common Stock (the "Warrants"). On October 28, 2016, the Company issued Warrants to purchase 152,580 shares of its Class A Common Stock at a per share exercise price of $6.39 per share, which aggregate exercise price represents 6.0% of the principal amount borrowed under the first tranche of the Loan Agreement and 3.0% of the amount available under the second tranche of the Loan Agreement. Additionally, upon funding of the second tranche on March 24, 2017, the Company issued Warrants to purchase 38,006 shares of its Class A Common Stock at a per share exercise price of $5.92 per share, which aggregate exercise price represents 3.0% of the amount available under the second tranche of the Loan Agreement. In each instance, the Warrants have an exercise price equal to the lower of (a) the volume weighted average price per share of the Company's Class A Common Stock, as reported on the principal stock exchange on which the Company's Class A Common Stock is listed, for 10 trading days prior to the issuance of the applicable Warrants or (b) the closing price of a share of the Company's Class A Common Stock on the trading day prior to the issuance of the applicable Warrants. The Warrants will expire seven years from their date of issuance.

The Company incurred $0.7 million of costs in connection with the Loan Agreement. These costs, along with the allocated fair value of the Warrants issued for the first and second tranches which were treated as a debt discount, and are offset against the carrying value of the notes payable in the Company's Consolidated Balance Sheet as of June 30, 2017 and December 31, 2016 and will be recognized as interest expense over the term of each applicable tranche using the effective interest method. The final payments for the first and second loan tranches will be accrued as additional interest expense, using the effective interest method, over the term of the relevant loan tranche.

The fair value of the Company's notes payable is considered to approximate its carrying value because it bears interest at a variable interest rate.

Note 5: Commitments and Contingencies

Legal Matters

From time to time, the Company is involved in various legal proceedings arising in the normal course of business. If a specific contingent liability is determined to be probable and can be reasonably estimated, the Company accrues and discloses the amount. The Company is not currently a party to any material legal proceedings.

Columbia University Agreement

In May 2015, the Company entered into a worldwide exclusive agreement with Columbia University ("Columbia") to license certain intellectual property from Columbia. Under the agreement, the Company is obligated to pay to Columbia (1) an annual fee of $0.1 million from 2015 through 2021, (2) a potential regulatory milestone payment of $0.8 million and (3) potential royalty payments at a single digit royalty rate based on net sales of licensed products as defined in the agreement.

Novo Nordisk

In February 2007, the Company entered into an Agreement Concerning Glucokinase Activator Project with Novo Nordisk A/S (the "Novo License Agreement") whereby we obtained an exclusive, worldwide, sublicensable license under certain Novo Nordisk intellectual property rights to discover, develop, manufacture, have manufactured, use and commercialize products for the prevention, treatment, control, mitigation or palliation of human or animal diseases or conditions. As part of this license grant, the Company obtained certain worldwide rights to Novo Nordisk's GKA program, including rights to preclinical and clinical compounds such as TTP399. Under the terms of the Novo License Agreement, the Company has additional potential developmental and regulatory milestone payments totaling up to $115.0 million for approval of a product. The Company may also be obligated to pay an additional $75.0 million in potential sales-based milestones, as well as royalty payments, at mid-single digit royalty rates, based on tiered sales of commercialized licensed products.

Note 6: Redeemable Noncontrolling Interest

The Company is subject to the Exchange Agreement with respect to the vTv Units representing the 70.5% noncontrolling interest in vTv LLC outstanding as of June 30, 2017 (see Note 7). The Exchange Agreement requires the surrender of an equal number of vTv Units and Class B Common Stock for (i) shares of Class A Common Stock on a one-for-one basis or (ii) cash (based on the fair market value of the Class A Common Stock as determined pursuant to the Exchange Agreement), at the Company's option (as the

managing member of vTv LLC), subject to customary conversion rate adjustments for stock splits, stock dividends and reclassifications. The exchange value is determined based on a 20 day volume weighted average price of the Class A Common Stock as defined in the Exchange Agreement, subject to customary conversion rate adjustments for stock splits, stock dividends and reclassifications.

The redeemable noncontrolling interest is recognized at the higher of (1) the initial fair value plus accumulated earnings/losses associated with the noncontrolling interest or (2) the redemption value as of the balance sheet date. At June 30, 2017 and December 31, 2016, the redeemable noncontrolling interest was recorded based on the redemption value of $112.1 million and $122.5 million, respectively.

Note 7: Related-Party Transactions

PharmaCore, Inc.

Prior to its acquisition by Cambrex Corporation in October 2016, certain controlling shareholders of the Company also controlled PharmaCore, Inc. (“PharmaCore”) and PharmaCore was therefore considered to be a related party. The Company purchased chemistry and Good Manufacturing Practices manufacturing services from PharmaCore. Total purchases from PharmaCore for the three and six months ended June 30, 2016 were $0.1 million and $0.3 million, respectively.

MacAndrews & Forbes Incorporated

As of June 30, 2017, subsidiaries and affiliates of MacAndrews & Forbes Incorporated (collectively “MacAndrews”) held 23,084,267 shares of the Company’s Class B Common Stock and 2,400,666 shares of the Company’s Class A Common Stock. As a result, MacAndrews’ holdings represent approximately 77.7% of the combined voting power of the Company’s outstanding common stock.

The Company has entered into several agreements with MacAndrews or its affiliates as part of the Reorganization Transactions as further detailed below:

Exchange Agreement

The Company and MacAndrews are party to an exchange agreement (the “Exchange Agreement”) pursuant to which the vTv Units (along with a corresponding number of shares of the Class B Common Stock) are exchangeable for (i) shares of the Class A Common Stock on a one-for-one basis or (ii) cash (based on the fair market value of the Class A Common Stock as determined pursuant to the Exchange Agreement), at the option of vTv Therapeutics Inc. (as the managing member of vTv LLC), subject to customary conversion rate adjustments for stock splits, stock dividends and reclassifications. Any decision to require an exchange for cash rather than shares of Class A Common Stock will ultimately be determined by the entire board of directors of vTv Therapeutics Inc. (the “Board of Directors”). As of June 30, 2017, MacAndrews had not exchanged any shares under the provisions of this agreement.

Tax Receivable Agreement

The Company and MacAndrews are party to a tax receivable agreement (the “Tax Receivable Agreement”), which provides for the payment by the Company to M&F TTP Holdings Two LLC (“M&F”), as successor in interest to vTv Therapeutics Holdings, LLC (“vTv Therapeutics Holdings”), and M&F TTP Holdings LLC (or certain of its transferees

or other assignees) of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that the Company actually realizes (or, in some circumstances, the Company is deemed to realize) as a result of (a) the exchange of Class B Common Stock, together with the corresponding number of vTv Units, for shares of the Company's Class A Common Stock (or for cash), (b) tax benefits related to imputed interest deemed to be paid by the Company as a result of the Tax Receivable Agreement and (c) certain tax benefits attributable to payments under the Tax Receivable Agreement.

As no shares have been exchanged by MacAndrews pursuant to the Exchange Agreement (discussed above), the Company has not recognized any liability nor has it made any payments pursuant to the Tax Receivable Agreement as of June 30, 2017.

Investor Rights Agreement

The Company is party to an investor rights agreement with M&F, as successor in interest to vTv Therapeutics Holdings (the "Investor Rights Agreement"). The Investor Rights Agreement provides M&F with certain demand, shelf and piggyback registration rights with respect to its shares of Class A Common Stock and also provides M&F with certain governance rights, depending on the size of its holdings of Class A Common Stock. Under the Investor Rights Agreement, M&F was initially entitled to nominate a majority of the members of the Board of Directors and designate the members of the committees of the Board of Directors.

Note 8: Income Taxes

The Company is subject to U.S. federal income taxes as well as state taxes. As a result of the Company's operating losses, the Company did not record income tax expense for the three and six months ended June 30, 2017 and 2016. Management has evaluated the positive and negative evidence surrounding the realization of its deferred tax assets, including the Company's history of losses, and under the applicable accounting standards determined that it is more-likely-than-not that the deferred tax assets will not be realized. The difference between the effective tax rate of the Company and the U.S. statutory tax rate of 34% is due to the valuation allowance against the Company's expected net operating losses.

As discussed in Note 7, the Company is party to a tax receivable agreement with a related party which provides for the payment by the Company to vTv Therapeutics Holdings (or certain of its transferees or other assignees) of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that the Company actually realizes (or, in some circumstances, the Company is deemed to realize) as a result of certain transactions. As there have been no transactions which are probable to occur which would trigger a liability under this agreement, the Company has not recognized any liability related to this agreement as of June 30, 2017.

Note 9: Net Loss per Share

Basic loss per share is computed by dividing net loss attributable to vTv Therapeutics Inc. by the weighted-average number of shares of Class A Common Stock outstanding during the period. Diluted loss per share is computed giving effect to all potentially dilutive shares. Diluted loss per share for all periods presented is the same as basic loss per share as the inclusion of potentially issuable shares would be antidilutive.

A reconciliation of the numerator and denominator used in the calculation of basic and diluted net loss per share of Class A Common Stock is as follows (in thousands, except share and per share amounts):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Numerator:				
Net loss	$(13,414)	$(14,617)	$(27,700)	$(28,137)

Less: Net loss attributable to noncontrolling interests	(9,451)	(10,160)	(19,517)	(19,828)
Net loss attributable to vTv Therapeutics Inc., basic and diluted	$(3,963)	$(4,457)	$(8,183)	$(8,309)
Denominator:				
Weighted-average vTv Therapeutics Inc. Class A Common Stock, basic and diluted	9,693,254	9,564,623	9,693,254	9,397,134
Net loss per share of vTv Therapeutics Inc. Class A Common Stock, basic and diluted	$(0.41)	$(0.47)	$(0.84)	$(0.88)

Potentially dilutive securities not included in the calculation of diluted net loss per share are as follows:

	June 30, 2017	June 30, 2016
Class B Common Stock [1]	23,119,246	23,122,576
Common stock options	1,961,434	1,094,434
Common stock warrants	190,586	—
Total	25,271,266	24,217,010

(1) Shares of Class B Common Stock do not share in the Company's earnings and are not participating securities. Accordingly, separate presentation of loss per share of Class B Common Stock under the two-class method has not been provided. Each share of Class B Common Stock (together with a corresponding vTv Unit) is exchangeable for one share of Class A Common Stock.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

As used in this Quarterly Report on Form 10-Q, the "Company", the "Registrant", "we" or "us" refer to vTv Therapeutics Inc. and "vTv LLC" refers to vTv Therapeutics LLC. The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and related notes that appear elsewhere in this report. In addition to historical financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, assumptions and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this report under "Part II, Other Information—Item 1A, Risk Factors." Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies and operations, financing plans, potential growth opportunities, potential market opportunities, potential results of our drug development efforts or trials, and the effects of competition. Forward-looking statements include all statements that are not historical facts and can be identified by terms such as "anticipates," "believes," "could," "seeks," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects "would" or similar expressions and the negatives of those terms. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent our management's plans, estimates, assumptions and beliefs only as of the date of this report. Except as required by law, we assume no obligation to update these forward-looking statements publicly or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

Overview

We are a clinical-stage biopharmaceutical company engaged in the discovery and development of orally administered small molecule drug candidates to fill significant unmet medical needs. We have a pipeline of clinical drug candidates, led by our programs for the treatment of Alzheimer's disease ("AD") and type 2 diabetes. Our drug candidate for the treatment of AD, azeliragon (TTP488), is an orally administered, small molecule antagonist targeting the receptor for advanced glycation endproducts ("RAGE"), for which we have successfully completed the enrollment of patients in both sub-studies in our Phase 3 clinical trial (the "STEADFAST Study") under a Food and Drug Administration ("FDA") agreed Special Protocol Assessment ("SPA"). Our type 2 diabetes drug candidates include TTP399, an orally administered, liver-selective glucokinase activator ("GKA"), for which we completed a Phase 2b clinical trial (the "AGATA Study") in August 2016, and TTP273, an orally administered, non-peptide agonist that targets the glucagon-like peptide-1 receptor ("GLP-1r"), for which we completed a Phase 2 clinical trial (the "LOGRA Study") in December 2016. We have three additional programs in various stages of preclinical and clinical development for the prevention of muscle weakness and the treatment of inflammatory disorders.

The following table summarizes our current drug candidates and their respective stages of development:

vTv Therapeutics Inc. is a holding company, and its principal asset is a controlling equity interest in vTv Therapeutics LLC ("vTv LLC"), the principal operating subsidiary. The Company has determined that vTv LLC is a variable-interest entity ("VIE") for accounting purposes and that vTv Therapeutics Inc. is the primary beneficiary of vTv LLC because (through its managing member interest in vTv LLC and the fact that the senior management of vTv Therapeutics Inc. is also the senior management of vTv LLC) it has the power to direct all of the activities of vTv LLC, which include those that most significantly impact vTv LLC's economic performance. vTv Therapeutics Inc. has therefore consolidated vTv LLC's results under the VIE accounting model in its consolidated financial statements.

To date, we have devoted substantially all of our resources to our research and development efforts relating to our drug candidates, including conducting clinical trials with our drug candidates, providing general and administrative support for these operations and protecting our intellectual property. We do not have any products approved for sale and have not generated any revenue from drug sales. From our inception through June 30, 2017, we have funded our operations primarily through a combination of private placements of preferred equity, research collaboration agreements, upfront and milestone payments for license agreements, debt financing and the completion of our initial public offering ("IPO") in August 2015.

We expect to continue to incur significant expenses and increasing operating losses for at least the next several years. We anticipate that our expenses will increase substantially as we:

- continue the development of our lead drug candidate, azeliragon, for the treatment of AD;
- seek to obtain regulatory approvals for azeliragon;
- prepare for the potential commercialization of azeliragon;
- begin outsourcing the commercial manufacturing of azeliragon;
- expand our research and development activities and advance our clinical programs, including our type 2 diabetes programs, TTP399 and TTP273; and
- maintain, expand and protect our intellectual property portfolio.

We do not expect to generate revenue from drug sales unless and until we successfully complete development and obtain marketing approval for one or more of our drug candidates, which we expect will take a number of years and will be subject to significant uncertainty. Accordingly, we anticipate that we will need to raise additional capital in addition to the net proceeds of the IPO and the Loan Agreement prior to the commercialization of azeliragon or any of our other drug candidates. Until such time that we can generate substantial revenue from product sales, we expect to finance our operating activities through a combination of equity offerings, debt financings, marketing and distribution arrangements and other collaborations, strategic alliances and licensing arrangements. Nevertheless, we may be unable to raise additional funds or enter into such other arrangements when needed, on favorable terms or at all, which would have a negative impact on our liquidity and financial condition and could force us to delay, reduce the scope or eliminate one or more of our research and development programs or commercialization efforts. Failure to receive additional funding could cause us to cease operations, in part or in full.

Financial Overview

Revenue

To date, we have not generated any revenue from drug sales. All of our revenue to date has been primarily derived from up-front proceeds and research fees under collaboration and license agreements and government grants.

In the future, we may generate revenue from a combination of product sales, license fees, milestone payments and royalties from the sales of products developed under licenses of our intellectual property. We expect that any revenue we generate will fluctuate from quarter to quarter as a result of the timing and amount of license fees, milestone and other payments, and the amount and timing of payments that we receive upon the sale of our products, to the extent any are successfully commercialized. If we fail to complete the development of our drug candidates in a timely manner or obtain regulatory approval for them, our ability to generate future revenue and our results of operations and financial position will be materially adversely affected.

Research and Development Expenses

Since our inception, we have focused our resources on our research and development activities, including conducting preclinical studies and clinical trials, manufacturing development efforts and activities related to regulatory filings for our drug candidates. We recognize research and development expenses as they are incurred. Our direct research and development expenses consist primarily of external costs such as fees paid to investigators, consultants, central laboratories and clinical research organizations (“CRO”s) in connection with our clinical trials, and costs related to acquiring and manufacturing clinical trial materials. Our indirect research and development costs consist primarily of salaries, benefits and related overhead expenses for personnel in research and development functions and depreciation of leasehold improvements, laboratory equipment and computers. Since we typically use our employee and infrastructure resources across multiple research and development programs such costs are not allocated to the individual projects.

From our inception, including our predecessor companies, through June 30, 2017, we have incurred approximately $522.8 million in research and development expenses.

Our research and development expenses by project for the three and six months ended June 30, 2017 and 2016 were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016

Direct research and development expense:				
Azeliragon	$6,715	$7,781	$14,785	$15,085
TTP399	59	715	139	1,647
TTP273	101	1,207	281	1,923
Other projects	308	223	652	455
Indirect research and development expense	2,440	2,223	4,726	4,374
Total research and development expense	$9,623	$12,149	$20,583	$23,484

We plan to incur significant research and development expenses for the foreseeable future as we continue the development of azeliragon and further advance the development of our other drug candidates, subject to the availability of additional funding.

The successful development of our clinical and preclinical drug candidates is highly uncertain. At this time, we cannot reasonably estimate the nature, timing or costs of the efforts that will be necessary to complete the remainder of the development of any of our clinical or preclinical drug candidates or the period, if any, in which material net cash inflows from these drug candidates may commence. This is due to the numerous risks and uncertainties associated with the development of our drug candidates, including:

- the uncertainty of the scope, rate of progress and expense of our ongoing, as well as any additional, clinical trials and other research and development activities;
- the potential benefits of our candidates over other therapies;
- our ability to market, commercialize and achieve market acceptance for any of our drug candidates that we are developing or may develop in the future;
- future clinical trial results;
- our ability to enroll patients in our clinical trials;
- the timing and receipt of any regulatory approvals, if any; and
- the filing, prosecuting, defending and enforcing of patent claims and other intellectual property rights, and the expense of doing so.

A change in the outcome of any of these variables with respect to the development of a drug candidate could mean a significant change in the costs and timing associated with the development of that drug candidate. For example, if the FDA or another regulatory authority were to require us to conduct clinical trials beyond those that we currently anticipate will be required for the completion of clinical development of a drug candidate, or if we experience significant delays in enrollment in any of our clinical trials, we could be required to expend significant additional financial resources and time with respect to the development of that drug candidate.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries, benefits and related costs for employees in executive, finance, corporate development and human resources and administrative support functions. Other significant general and administrative expenses include accounting and legal services, expenses associated with obtaining and maintaining patents, cost of various consultants, occupancy costs and information systems.

We expect that our general and administrative expenses will continue to increase as we operate as a public company and commercialize our drug candidates. We also expect to incur additional costs in future periods as we continue to establish our investor relations function, implement a system of internal control over financial reporting and a system of disclosure controls and procedures that are compliant with applicable requirements and with corporate governance requirements and other rules of the stock exchange on which we are listed and other similar requirements applicable to public companies.

Interest Expense

Beginning in October 2016, interest expense primarily consists of cash and non-cash interest expense related to our Loan Agreement. Cash interest on the Loan Agreement is recognized at a floating interest rate equal to 10.5% plus the amount by which the one-month London Interbank Offer Rate (“LIBOR”) exceeds 0.5%. Non-cash interest expense represents the amortization of the costs incurred in connection with the Loan Agreement, the allocated fair value of the warrants to purchase shares of our Class A Common Stock issued in connection with the Loan Agreement (the “Warrants”) and the accretion of the final interest payments (which will be paid in cash upon loan maturity), all of which are recognized in our Condensed Consolidated Statement of Operations using the effective interest method.

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Results of Operations

Comparison of the three months ended June 30, 2017 and 2016

The following table sets forth certain information concerning our results of operations for the periods shown:

(dollars in thousands)	Three Months Ended June 30,		
Statement of operations data:	2017	2016	Change
Revenue	$13	$182	$(169)
Operating expenses:			
Research and development	9,623	12,149	(2,526)
General and administrative	3,005	2,672	333
Total operating expenses	12,628	14,821	(2,193)
Operating loss	(12,615)	(14,639)	2,024
Interest income	33	22	11
Interest expense	(832)	(1)	(831)
Other income (expense), net	—	1	(1)
Loss before income taxes	(13,414)	(14,617)	1,203
Income tax provision	—	—	—
Net loss before noncontrolling interest	(13,414)	(14,617)	1,203
Less: net loss attributable to noncontrolling interest	(9,451)	(10,160)	709
Net loss attributable to vTv Therapeutics Inc.	$(3,963)	$(4,457)	$494

Revenue

Revenue was insignificant for the three months ended June 30, 2017 and was $0.2 million for the three months ended June 30, 2016. The revenue earned during the three months ended June 30, 2016 was primarily attributable to the global license agreement that we entered into with Calithera Biosciences, Inc. (“Calithera”) in March 2015.

Research and Development Expenses

Research and development expenses were $9.6 million and $12.1 million for the three months ended June 30, 2017 and 2016, respectively. The decrease in research and development expenses during the period of $2.5 million, or 20.8%, was primarily due to:

- A decrease in clinical trial costs of $1.1 million for azeliragon which was mainly driven by a decrease of $1.0 million related to compound manufacturing costs due to the timing of activities, coupled with a decrease of approximately $0.5 million related to a drug-drug interaction study that was ongoing in the second quarter of 2016, but is now complete. These decreases were offset by an increase of $0.4 million related to the costs for our open-label extension (“OLE”) trial as patients completing the STEADFAST Study elect to roll into the OLE trial;
- Costs related to TTP399 in the second quarter of 2017 decreased $0.7 million from the three months ended June 30, 2016, due to the completion of the AGATA study in August 2016;
- A decrease in clinical trial costs of $1.1 million for TTP273 in the second quarter of 2017 as compared with the second quarter of 2016, due to the completion of the LOGRA study in December 2016.

General and Administrative Expenses

General and administrative expenses were $3.0 million and $2.7 million for the three months ended June 30, 2017 and 2016, respectively. The increase in general and administrative expenses during the period of $0.3 million, or 12.5%, was primarily attributable to increases in the expense related to share-based awards and professional service fees.

Interest Expense

Interest expense was $0.8 million and an insignificant amount for the three months ended June 30, 2017 and 2016, respectively. Interest expense recognized in 2017 relates to the cash and non-cash interest for our Loan Agreement which was finalized in late October 2016 and which bears interest at 10.5% plus the amount by which the one-month LIBOR exceeds 0.5%.

Comparison of the six months ended June 30, 2017 and 2016

The following table sets forth certain information concerning our results of operations for the periods shown:

(dollars in thousands)	Six Months Ended June 30,		
Statement of operations data:	2017	2016	Change
Revenue	$43	$558	$(515)
Operating expenses:			
Research and development	20,583	23,484	(2,901)
General and administrative	5,829	5,253	576
Total operating expenses	26,412	28,737	(2,325)
Operating loss	(26,369)	(28,179)	1,810
Interest income	60	45	15
Interest expense	(1,391)	(3)	(1,388)
Loss before income taxes	(27,700)	(28,137)	437
Income tax provision	—	—	—
Net loss before noncontrolling interest	(27,700)	(28,137)	437
Less: net loss attributable to noncontrolling interest	(19,517)	(19,828)	311
Net loss attributable to vTv Therapeutics Inc.	$(8,183)	$(8,309)	$126

Revenue

Revenue was insignificant for the six months ended June 30, 2017 and was $0.6 million for the six months ended June 30, 2016. The revenue earned during the six months ended June 30, 2016 was primarily attributable to the global license agreement that we entered into with Calithera Biosciences, Inc. (“Calithera”) in March 2015.

Research and Development Expenses

Research and development expenses were $20.6 million and $23.5 million for the six months ended June 30, 2017 and 2016, respectively. The decrease in research and development expenses during the period of $2.9 million, or 12.4%, was primarily due to:

- A decrease in clinical trial costs of $0.3 million for azeliragon in the first half of 2017 which was driven by a $1.4 million decrease in costs related to the drug-drug interaction study which is now complete and a decrease of $1.6 million for compound manufacturing costs due to timing of activities. These decreases were offset by increases in the cost of the STEADFAST and OLE studies of $1.6 million and $0.5 million, respectively, due to higher enrollment in these trials during the six months ended June 30, 2017;
- Costs related to TTP399 in the first half of 2017 decreased $1.5 million from the six months ended June 30, 2016, due to the completion of the AGATA study in August 2016;
- A decrease in clinical trial costs of $1.6 million for TTP273 in the first half of 2017, due to the completion of the LOGRA study in December 2016.

General and Administrative Expenses

General and administrative expenses were $5.8 million and $5.3 million for the six months ended June 30, 2017 and 2016, respectively. The increase in general and administrative expenses during the period of $0.6 million, or 11.0%, was primarily attributable to increases in the expense related to share-based awards and professional service fees.

Interest Expense

Interest expense was $1.4 million and an insignificant amount for the six months ended June 30, 2017 and 2016, respectively. Interest expense recognized in 2017 relates to the cash and non-cash interest for our Loan Agreement which was finalized in late October 2016 and which bears interest at 10.5% plus the amount by which the one-month LIBOR exceeds 0.5%.

Liquidity and Capital Resources

Liquidity and Going Concern

As of June 30, 2017, we have an accumulated deficit of $232.8 million as well as a history of negative cash flows from operating activities. We anticipate that we will continue to incur losses for the foreseeable future as we continue our clinical trials. Further, we expect that we will need additional capital to continue to fund our operations. Our currently available sources of liquidity include our cash and cash equivalents of $32.5 million at June 30, 2017. In addition to available cash and cash equivalents, we are seeking possible partnering opportunities for our GKA, GLP-1r and other drug candidates which we believe may provide additional cash for use in our operations and the continuation of the clinical trials for our drug candidates. Additionally, we may finance our cash needs through a combination of equity offerings, debt financings, other collaborations or strategic alliances. However, the timing of such events occurring, if at all, is not yet determinable. These factors raise substantial doubt regarding our ability to continue as a going concern. Based on our current operating plan, we believe that our current cash and cash equivalents will allow us to meet our liquidity requirements through the receipt of top-line results for Subpart A of our STEADFAST Study in early 2018.

Debt Transaction

In October 2016, we and vTv LLC entered into the Loan Agreement, under which we have borrowed $20.0 million. Each loan tranche bears interest at a floating rate equal to 10.5% plus the amount by which the one-month LIBOR exceeds 0.5%.

We borrowed the first tranche of $12.5 million upon the close of the Loan Agreement in October 2016. Payments with respect to the first tranche are payable on an interest only basis monthly until May 1, 2018, followed by equal monthly payments of principal plus accrued interest through the scheduled maturity date on May 1, 2020. In addition, a final payment for the first tranche loan equal to $0.8 million will be due on May 1, 2020, or such earlier date specified in the Loan Agreement. We borrowed the second tranche of $7.5 million in March 2017. Payments with respect to the second tranche are payable on an interest only basis monthly until October 1, 2018, followed by equal monthly payments of principal plus accrued interest through the scheduled maturity date on October 1, 2020. In addition, a final payment for the second tranche loan equal to $0.5 million will be due on October 1, 2020, or such earlier date specified in the Loan Agreement. The availability of the third tranche of $5.0 million expired unused on June 30, 2017.

If we repay all or a portion of the loan prior to the applicable maturity date, we will pay the Lenders a prepayment penalty fee, based on a percentage of the then outstanding principal balance equal to 4.0% during the first 18 months following the funding of the second tranche and 2.0% thereafter.

In connection with the Loan Agreement, we have issued to the Lenders warrants to purchase shares of our Class A common stock. On October 28, 2016, we issued Warrants to purchase 152,580 shares of our Class A common stock at a per share exercise price of $6.39 per share, which aggregate exercise price represents 6.0% of the principal amount borrowed under the first tranche of the Loan Agreement and 3.0% of the amount available under the second tranche of the Loan Agreement. On March 24, 2017, in connection with the funding of the second tranche, we issued Warrants to purchase 38,006 shares of our Class A common stock at a per share exercise price of $5.92 per share, which aggregate exercise price represents 3.0% of the principal amount of the second tranche. In each instance, the Warrants have an exercise price equal to the lower of (a) the volume weighted average price per share of our Class A common stock, as reported on the principal stock exchange on which our Class A common stock is listed, for 10 trading days prior to the issuance of the applicable Warrants or (b) the closing price of a share of our Class A common stock on the trading day prior to the issuance of the applicable Warrants. The Warrants will expire seven years from

their date of issuance.

The Loan Agreement includes customary affirmative and restrictive covenants, including, but not limited to, restrictions on the payment of dividends or other equity distributions and the incurrence of debt or liens upon the assets of the Company or its subsidiaries. The Loan Agreement does not contain any financial maintenance covenants. The Loan Agreement includes customary events of default, including payment defaults, covenant defaults and material adverse change default. Upon the occurrence of an event of default and following any applicable cure periods, a default interest rate of an additional 5% will be applied to the outstanding loan balances, and the Lenders may declare all outstanding obligations immediately due and payable and take such other actions as set forth in the Loan Agreement.

Cash Flows

	Six Months Ended June 30,	
	2017	2016
(dollars in thousands)		
Net cash used in operating activities	$(26,453)	$(24,055)
Net cash used in investing activities	(39)	(83)
Net cash provided by (used in) financing activities	7,500	(24)
Net decrease in cash and cash equivalents	$(18,992)	$(24,162)

Operating Activities

For the six months ended June 30, 2017, our net cash used in operating activities increased $2.4 million from the six months ended June 30, 2016. The increased use of cash was primarily driven by a higher usage of existing working capital.

Investing Activities

For the six months ended June 30, 2017 and 2016, net cash used in investing activities was insignificant.

Financing Activities

For the six months ended June 30, 2017, our cash provided by financing activities was driven primarily by the borrowing of the $7.5 million second tranche available to us under our Loan Agreement.

Future Funding Requirements

To date, we have not generated any revenue from drug product sales. We do not know when, or if, we will generate any revenue from drug product sales. We do not expect to generate significant revenue from drug sales unless and until we obtain regulatory approval of and commercialize azeliragon or any of our other drug candidates. At the same time, we expect our expenses to continue in connection with our ongoing development activities, particularly as we continue the research, development and clinical trials of, and seek regulatory approval for, our drug candidates. In addition, subject to obtaining regulatory approval of any of our drug candidates, we expect to incur significant commercialization expenses for product sales, marketing, manufacturing and distribution. We anticipate that we will need substantial additional funding in connection with our continuing operations. We will also continue to use cash to fund expenses related to our compliance with requirements applicable to us as a listed public company.

Based upon our current operating plan, we believe that our existing cash and cash equivalents will enable us to fund our operating expenses and capital requirements through the receipt of top-line results for Subpart A of our STEADFAST Study in early 2018. We intend to use our existing cash and cash equivalents to fund the STEADFAST Study, and any additional clinical or preclinical studies necessary to support and to submit an application for azeliragon. However, our current cash and cash equivalents will not be sufficient for us to complete the STEADFAST Study, and we will need to raise additional capital to complete the development, regulatory submission and commercialization of azeliragon. We are and plan to continue to pursue partnering arrangements with other pharmaceutical companies for our GKA, GLP-1r and other pipeline programs, which may provide additional capital if

consummated. We have based our estimates on assumptions that may prove to be wrong, and we may use our available capital resources sooner than we currently expect. Because of the numerous risks and uncertainties associated with the development and commercialization of our drug candidates, we are unable to estimate the amounts of increased capital outlays and operating expenditures necessary to complete the development of our drug candidates.

Our future capital requirements will depend on many factors, including:

- the progress, costs, results and timing of the STEADFAST Study, and the clinical development of azeliragon;
- the willingness of the FDA to accept the STEADFAST Study, as well as our other completed and planned clinical and preclinical studies and other work, as the basis for review and approval of azeliragon;
- the outcome, costs and timing of seeking and obtaining FDA and any other regulatory approvals;
- the number and characteristics of drug candidates that we pursue, including our drug candidates in preclinical development;
- the ability of our drug candidates to progress through clinical development successfully;

- our need to expand our research and development activities;
- the costs associated with securing, establishing and maintaining commercialization capabilities;
- the costs of acquiring, licensing or investing in businesses, products, drug candidates and technologies;
- our ability to maintain, expand and defend the scope of our intellectual property portfolio, including the amount and timing of any payments we may be required to make, or that we may receive, in connection with the licensing, filing, prosecution, defense and enforcement of any patents or other intellectual property rights;
- our need and ability to hire additional management and scientific and medical personnel;
- the effect of competing technological and market developments;
- our need to implement additional internal systems and infrastructure, including financial and reporting systems;
- the economic and other terms, timing and success of our existing licensing arrangements and any collaboration, licensing or other arrangements into which we may enter in the future; and
- the amount of any payments we are required to make to M&F TTP Holdings Two LLC in the future under the Tax Receivable Agreement.

Until such time, if ever, as we can generate substantial revenue from drug sales, we expect to finance our cash needs through a combination of equity offerings, debt financings, marketing and distribution arrangements and other collaborations, strategic alliances and licensing arrangements. We do not currently have any committed external source of funds. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interests of our common stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our common stockholders. Debt financing and preferred equity financing, if available, may involve agreements that include covenants that will further limit or restrict our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise additional funds through collaborations, strategic alliances or marketing, distribution or licensing arrangements with third parties, we may be required to relinquish valuable rights to our technologies, future revenue streams or drug candidates or grant licenses on terms that may not be favorable to us. If we are unable to obtain additional funding, we could be forced to delay, reduce or eliminate our research and development programs or commercialization efforts, which could adversely affect our business prospects.

Disclosures About Contractual Obligations and Commitments

The following table summarizes our contractual obligations at June 30, 2017 (in thousands):

		Six months ended December 31,	Years ended December 31,		
	Total	2017	2018 - 2020	2021 - 2022	2023 and thereafter
Principal payments under Loan Agreement	$20,000	$ —	$20,000	$ —	$ —
Interest on Loan Agreement (1)	5,724	1,116	4,608	—	—
Operating lease commitments	489	239	250	—	—
Total contractual obligations	$26,213	$ 1,355	$24,858	$ —	$ —

(1)

Interest payments associated with the Loan Agreement are projected based on interest rates in effect as of June 30, 2017 assuming no variable rate fluctuations going forward. An increase in the interest rates applicable to our Loan Agreement by 1% would result in an additional $0.2 million of annual cash interest expense. In addition to the estimated monthly cash interest payments, the projected interest payments stated above also include the 6% final interest payment to be paid upon the maturity of the debt obligation.

Off-Balance Sheet Arrangements

During the periods presented, we did not have, nor do we currently have, any off-balance sheet arrangements as defined under SEC rules.

Discussion of Critical Accounting Policies

For a discussion of our critical accounting policies and estimates, please refer to Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2016. There have been no material changes to our critical accounting policies and estimates in 2017.

Forward-Looking Statements

This quarterly report includes certain forward-looking statements within the meaning of the federal securities laws regarding, among other things, our management’s intentions, plans, beliefs, expectations or predictions of future events, which are considered forward-looking statements. You should not place undue reliance on those statements because they are subject to numerous uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. Forward-looking statements include information concerning our possible or assumed future results of operations, including descriptions of our business strategy. These statements often include words such as “may,” “will,” “should,” “believe,” “expect,” “anticipate,” “intend,” “pl “estimate” or similar expressions. These statements are based upon assumptions that we have made in light of our experience in the industry, as well as our perceptions of historical trends, current conditions, expected future developments and other factors that we believe are appropriate under the circumstances. As you read this quarterly report, you should understand that these statements are not guarantees of performance or results. They involve known and unknown risks, uncertainties and assumptions, including those described under the heading “Risk Factors” under Item 1A of Part I in our Annual Report on Form 10-K. Although we believe that these forward-looking statements are based upon reasonable assumptions, you should be aware that many factors, including those described under the heading “Risk Factors” under Item 1A of Part I in our Annual Report on Form 10-K, could affect our actual financial results or results of operations and could cause actual results to differ materially from those in the forward-looking statements.

Our forward-looking statements made herein are made only as of the date of this quarterly report. We expressly disclaim any intent, obligation or undertaking to update or revise any forward-looking statements made herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained in this quarterly report.

Effect of Recent Accounting Pronouncements

See discussion of recent accounting pronouncements in Note 2, “Summary of Significant Accounting Policies”, to the Condensed Consolidated Financial Statements in this Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Our Loan Agreement bears interest at a floating rate equal to 10.5% plus the amount by which the one-month LIBOR exceeds 0.5%. A one percent increase in the variable rate of interest on the Loan Agreement would increase interest expense by approximately $0.2 million annually based on the amounts currently outstanding. We do not currently

hedge our interest rate exposure.

Market Risk

Our exposure to market risk is limited to our cash and cash equivalents, all of which have maturities of one year or less. The goals of our investment strategy are preservation of capital, fulfillment of liquidity needs and fiduciary control of cash and investments. We also seek to maximize income from our investments without assuming significant risk. To achieve our goals, we maintain a portfolio of cash equivalents and investments in a variety of securities that management believes to be of high credit quality. The securities in our investment portfolio are not leveraged and are, due to their short-term nature, subject to minimal interest rate risk. Because of the short-term maturities of our investments, we do not believe that an increase in market rates would have a material negative impact on the value of our investment portfolio.

Foreign Currency Risk

We do not have any material foreign currency exposure.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, management has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934) as of June 30, 2017. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2017, our disclosure controls and procedures were effective in causing material information relating to us (including our consolidated subsidiaries) to be recorded, processed, summarized and reported by management on a timely basis and to ensure the quality and timeliness of our public disclosures pursuant to SEC disclosure obligations.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, with the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error and mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of controls.

The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, a control may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

Changes to Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting other than those described above that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Website Availability of Reports and other Corporate Governance Information

The Company maintains a comprehensive corporate governance program, including Corporate Governance Guidelines for its Board of Directors, Board Guidelines for Assessing Director Independence and charters for its Audit Committee, Nominating and Corporate Governance Committee and Compensation Committee. The Company maintains a corporate investor relations website, www.vtvtherapeutics.com, where stockholders and other interested persons may review, without charge, among other things, corporate governance materials and certain SEC filings, which are generally available on the same business day as the filing date with the SEC on the SEC’s website http://www.sec.gov.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not currently a party to any material legal proceedings.

ITEM 1A. RISK FACTORS

In addition to the risk factor listed below and other information in this report, investors should carefully consider the risk factors set forth under the heading “Risk Factors” under Item 1A of Part I in our Annual Report on Form 10-K for the year ended December 31, 2016.

We will need additional capital to complete the STEADFAST Study and to complete the development and commercialization of azeliragon and our other drug candidates and there is a substantial doubt about our ability to continue as a going concern. If we are unable to raise sufficient capital for these purposes, we would be forced to delay, reduce or eliminate our product development programs.

Developing pharmaceutical products, including conducting preclinical studies and clinical trials, is expensive. We expect our research and development expenses to increase in connection with our ongoing activities, particularly as we continue the STEADFAST Study, undertake additional clinical trials of our other drug candidates and continue to work on our other research programs. Our current capital and the funds available to us under our venture loan and security agreement (the "Loan Agreement") with Horizon Technology Finance Corporation and Silicon Valley Bank (together, the "Lenders") dated October 28, 2016 will not be sufficient for us to complete the STEADFAST Study and the development of our other drug candidates. As such, we will need to raise substantial additional capital to complete the development and commercialization of azeliragon. We may fund a portion of the STEADFAST Study through licensing or other monetization of our other drug candidates, including TTP399 and TTP273. If we are unable to successfully license our other drug candidates, we may need to raise additional capital to finance the completion of the STEADFAST Study through equity offerings, debt financings, marketing and distribution arrangements and other collaborations, strategic alliances and licensing arrangements.

If the FDA or other regulators require that we perform additional studies beyond those we currently expect, or if there are any delays in completing our clinical trials or the development of any of our drug candidates, our expenses could increase beyond what we currently anticipate and the timing of any potential product approval may be delayed. We have no commitments or arrangements for any additional financing to fund our research and development programs. We also will need to raise substantial additional capital in the future to complete the development and commercialization of azeliragon for additional indications and for developing our other drug candidates. Because successful development of our drug candidates is uncertain, we are unable to estimate the actual funds required to complete research and development and commercialize and license our products under development.

Until we can generate a sufficient amount of revenue from our drug candidates, if ever, we expect to finance future cash needs through equity offerings, debt financings, marketing and distribution arrangements and other collaborations, strategic alliances and licensing arrangements. We may seek to access the public or private capital markets whenever conditions are favorable, even if we do not have an immediate need for additional capital at that time. If worldwide economic conditions and the international equity and credit markets deteriorate and return to depressed states, it will be more difficult for us to obtain additional equity or credit financing, when needed.

Our recurring losses, accumulated deficit and our current levels of cash and cash equivalents raise substantial doubt about our ability to continue as a going concern. If we are unable to continue as a going concern, we may have to liquidate our assets and it is likely that investors will lose all or a part of their investment. If we seek additional financing to fund our business activities in the future and there remains substantial doubt about our ability to continue as a going concern, investors or other financing sources may be unwilling to provide additional funding to us on commercially reasonable terms or at all. Further, if adequate funds are not available, we may be required to delay, reduce the scope of or eliminate one or more of our research or development programs.

Our future capital requirements will depend on many factors, including:

- the progress, costs, results and timing of the STEADFAST Study, and the clinical development of azeliragon;
- the willingness of the FDA to accept the STEADFAST Study, as well as our other completed and planned clinical and preclinical studies and other work, as the basis for review and approval of azeliragon;
- the outcome, costs and timing of seeking and obtaining FDA and any other regulatory approvals;
-

the number and characteristics of drug candidates that we pursue, including our drug candidates in preclinical development;
- the ability of our drug candidates to progress through clinical development successfully;
- our need to expand our research and development activities;
- the costs associated with securing, establishing and maintaining commercialization capabilities;
- the costs of acquiring, licensing or investing in businesses, products, drug candidates and technologies;
- our ability to maintain, expand and defend the scope of our intellectual property portfolio, including the amount and timing of any payments we may be required to make, or that we may receive, in connection with the licensing, filing, prosecution, defense and enforcement of any patents or other intellectual property rights;
- our need and ability to hire additional management and scientific and medical personnel;

- the effect of competing technological and market developments;
- our need to implement additional internal systems and infrastructure, including financial and reporting systems; and
- the economic and other terms, timing and success of our existing licensing arrangements and any collaboration, licensing or other arrangements into which we may enter in the future.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS
None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES
None.

ITEM 4. MINE SAFETY DISCLOSURES
None.

ITEM 5. OTHER INFORMATION
None.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of President and Chief Executive Officer required by Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer required by Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Document
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

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.

Date: August 2, 2017

VTV THERAPEUTICS INC.
(Registrant)

By: /s/ Stephen L. Holcombe
Stephen L. Holcombe
President and Chief Executive Officer

By: /s/ Rudy C. Howard
Rudy C. Howard
Chief Financial Officer