

Exelixis: Pacing the Buyback

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Industry: Biotechnology

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Company: Exelixis, Inc. (Nasdaq: EXEL)

Decision setting and information cutoff: 5 August 2026, 4:30 p.m. Eastern Time; written information only

Case type: Hypothetical Board-policy exercise based on public information

Version: Final v1 - 3 October 2026

The decision

In May 2026, Exelixis's Board authorized up to \$750 million in additional share repurchases through December 31, 2027. At the period the company labels June 30, about \$597.8 million remained under that authorization. The program does not require Exelixis to buy shares and may be changed or suspended at any time. That quarter-end balance is not a verified amount available on August 5. [P1], Part II, Item 2, lines 1321-1331.

At the same reporting date, Exelixis reported \$1.384 billion in cash, cash equivalents and marketable securities. Management said current liquidity and expected product and collaboration revenues would support operations for at least 12 months and thereafter for the foreseeable future. The reported securities include marketable debt securities; the full amount should not be treated as cash or excess cash. [P1], Note 5, lines 593-609; MD&A, "Liquidity and Capital Resources," lines 1215-1217.

Meanwhile, the company was preparing for a potential launch of zanzalintinib in a specified previously treated metastatic colorectal cancer (CRC) population. The FDA had accepted the combination NDA with atezolizumab and set a December 3, 2026 PDUFA target date. Exelixis's 2026 revenue guidance excluded any sales from a potential launch. The release described the company as pursuing R&D investment and shareholder returns simultaneously. It did not report a conflict between those uses or an actual Board debate about the buyback. [P2], lines 35-39, 80-105.

Assignment: Assume you are advising Exelixis's Board after the written Q2 disclosures became available. Recommend a policy for pacing the discretionary May 2026 repurchase authorization through the December 3 PDUFA date. Should the Board allow selective purchases under standing authority, pause until a defined review, or release repurchase tranches only after affirmative Board gates? State what the policy protects, which new information would change it, and what internal evidence is required before setting dollar or valuation thresholds. You are not asked to predict FDA action, estimate Exelixis's current fair value, or calculate an optimal buyback amount.

The case information set closes at 4:30 p.m. ET on August 5. The Q2 8-K was accepted by the SEC at 4:09:37 p.m. and the 10-Q at 4:13:51 p.m., both before the cutoff. The release scheduled a 5:00 p.m. ET conference call; oral remarks and any transcript are excluded. The filing's "June 30" references are the company's convenience label for the actual fiscal period ended July 3,

2026. [P1], SEC index, lines 11-19 and 10-Q cover lines 15-45/basis of presentation lines 362-366; [P2], SEC index, lines 11-19 and release lines 33-35, 156-160.

A growing commercial base and a development pipeline

Exelixis's cabozantinib franchise generated \$573.0 million of U.S. net product revenue in the quarter, while its development portfolio also included biotherapeutics such as XB010, XB628 and XB371. [P2], lines 99-100; [P1], lines 1104-1116 and 1136-1147. The company reported second-quarter 2026 revenue of \$628.7 million, including \$573.0 million in net product revenue and \$55.7 million in collaboration revenue. [P2], lines 42-55.

Zanzalintinib was a potential next product, but its path remained uncertain. In June 2026, the final analysis of the dual-primary overall-survival endpoint in the non-liver-metastases subgroup of STELLAR-303 showed a non-statistically significant trend favoring zanzalintinib plus atezolizumab. The trial had previously met its other dual-primary overall-survival endpoint in the full intention-to-treat population in June 2025. The FDA's target action date was December 3. The NDA covered patients previously treated with fluoropyrimidine-, oxaliplatin- and irinotecan-based chemotherapy and, if RAS wild-type, an anti-EGFR therapy. These disclosures describe evidence and a regulatory timeline; they do not predict approval. [P2], lines 101-105.

Exelixis also planned the STELLAR-316 Phase 3 trial and continued enrollment in STELLAR-311. Topline STELLAR-304 results were expected in the second half of 2026, depending on event rates. Management said its R&D decisions consider enrollment, preliminary and final results, potential markets, clinical and commercial potential, competitive dynamics and overall strategy. [P1], lines 1161-1164; [P2], lines 105-123.

Capital return and investment needs

The Board's October 2025 repurchase program allowed up to \$750 million of purchases before December 31, 2026; the May 2026 program authorized up to an additional \$750 million before December 31, 2027. By the period labeled June 30, Exelixis had repurchased 20.2 million shares for an aggregate \$902.2 million across both programs and completed the October program. Approximately \$597.8 million remained solely under the May program at that quarter-end; this is not a current August 5 balance. [P1], lines 1321-1328.

The filing states that repurchases may occur through open-market purchases, blocks, Rule 10b5-1 plans, accelerated transactions or other methods. Their timing and amount depend on capital needs, alternative investment opportunities, share price and market conditions. The programs impose no purchase obligation and may be modified, suspended or discontinued without prior notice. [P1], lines 1330-1331.

Management's 2026 guidance forecast total revenue of \$2.500-\$2.550 billion, net product revenue of \$2.300-\$2.350 billion, R&D expense of \$825-\$875 million and selling, general and administrative expense of \$575-\$625 million. The revenue ranges excluded any sales from a potential zanzalintinib launch. The expense guidance is company-wide, not a program budget or cash-flow schedule. [P2], lines 80-97.

Exelixis does not track fully burdened R&D costs by project. It does separately report external clinical-trial costs by candidate: zanzalintinib's external trial costs were \$84.126 million in the first half of 2026, compared with \$79.747 million in the comparable period. Those figures do not show total program cost, remaining cost to launch, expected return, or cash savings if spending changes. [P1], lines 1104-1109 and 1136-1147.

The company said operating cash requirements could increase during the rest of 2026, citing employee costs, collaboration and development payments, taxes, royalties, inventory, rent and manufacturing. Management also expected significant continued pipeline investment and possible additional oncology collaborations, licensing and other strategic transactions. It did not quantify these potential uses in a way that permits a buyback-versus-project return comparison. [P1], lines 1218-1227.

Three policies to debate

1.
Continue selective execution between reviews. Permit discretionary repurchases under the existing authorization when ordinary controls and a Board-approved liquidity framework support them. The Board would review the overall pace on a schedule but would not need to release each tranche anew. This returns capital sooner while preserving flexibility, but it could use that flexibility before clinical, launch and cash-flow information is refreshed.
2.
Pause until a defined review. Make no additional purchases until a scheduled review after the PDUFA date or an earlier specified information milestone. At that review, reassess the regulatory status, launch preparation, pipeline milestones and rolling cash forecast. This preserves the option to act later, but delays shareholder returns despite management's stated liquidity outlook. The PDUFA date is a review catalyst, not a reason to assume approval or rejection.
3.
Use affirmative Board gates. Keep purchases inactive unless the Board approves individual tranches at set review gates after considering updated liquidity, development and launch needs, and a documented valuation process. This gives the Board explicit control but risks unnecessary process delay if gates are too frequent or thresholds are unsupported. Students should design the valuation evidence and test; they should not estimate current fair value from this packet.

These are classroom policy designs, not disclosed company plans. A good recommendation distinguishes the authorization ceiling from actual repurchase pace, protects operating and development flexibility, and explains what evidence would trigger a pause, restart or change in pace.

Discussion questions

1. What does the reported \$1.384 billion liquidity figure include, and what does it not establish about cash available for repurchases?
2. How should the Board weigh the \$597.8 million quarter-end authorization against management's liquidity outlook and its statement that it will continue investing in R&D?
3. Which policy best balances flexibility, shareholder returns and development uncertainty? What is the strongest argument against your choice?
4. What internal cash, launch, candidate-cost, milestone and valuation information should the Board require before specifying a reserve or purchase threshold?
5. Which observable events should trigger a pause, restart or change in the policy? Why is the PDUFA date useful as a review point but not a forecast?

Exhibits

Exhibit 1. Selected liquidity and capital-return disclosures

Item	Amount / term	Date and basis
Cash, cash equivalents and marketable securities	\$1.384315bn	Reported at period labeled June 30, 2026; includes marketable debt securities
Management liquidity assessment	At least 12 months and thereafter for the foreseeable future	Includes current liquidity and expected product/collaboration revenue
May 2026 repurchase authorization	Up to \$750m through Dec. 31, 2027	Board-authorized; discretionary
Remaining May program authorization	Approximately \$597.8m	Quarter-end balance at period labeled June 30, not an Aug. 5 live amount
Repurchases under both 2025 and 2026 programs	20.2m shares; \$902.2m aggregate purchase price	Through period labeled June 30; October 2025 program complete
Purchase obligation	None	Board may modify, suspend or discontinue programs

Sources: [P1], Note 5, lines 593-609; MD&A, lines 1215-1227; Part II, Item 2, lines 1321-1331.

Exhibit 2. FY2026 management guidance

Measure	Guidance issued August 5, 2026	Important definition
Total revenue	\$2.500-\$2.550bn	Excludes any potential U.S. zanzalintinib launch revenue
Net product revenue	\$2.300-\$2.350bn	Same potential-launch exclusion
Research and development expense	\$825-\$875m	Includes \$50m noncash stock compensation; aggregate company guidance
SG&A expense	\$575-\$625m	Includes \$75m noncash stock compensation; aggregate company guidance

Source: [P2], lines 80-97. These are management forecasts, not project-level budgets or a cash forecast.

Exhibit 3. Clinical and regulatory timeline

Event	Public status by cutoff	What it does not establish
STELLAR-303 ITT overall-survival endpoint	Met, announced June 2025	Does not determine outcome in every subgroup or establish approval
STELLAR-303 non-liver-metastases subgroup final OS analysis	Non-statistically significant trend favoring the combination, announced June 2026	Not a statistically significant subgroup result or an FDA decision
NDA for zanzalintinib plus atezolizumab in specified previously treated metastatic CRC population	Accepted by FDA in February 2026	Not approval; covered prior chemotherapy and, for RAS wild-type disease, anti-EGFR therapy
PDUFA target action date	December 3, 2026	Target date, not guaranteed timing or outcome

Source: [P2], lines 101-105.

Exhibit 4. Disclosed R&D cost scope

Item	Amount	Period / scope
Total R&D expense	\$411.903m	First half 2026; company-wide GAAP expense
Total clinical-trial costs	\$115.009m	First half 2026; company-wide external clinical trial costs
Zanzalintinib external clinical-trial cost	\$84.126m	First half 2026; candidate-specific external trial cost
Zanzalintinib external clinical-trial cost, prior period	\$79.747m	Comparable first half of 2025

Source: [P1], R&D discussion and tables, lines 1104-1109 and 1135-1147. Exelixis says it does not track fully burdened R&D costs by project. External trial cost is not total molecule/indication cost or remaining launch spend.

Source notes

- **[P1]** Exelixis, Inc., Form 10-Q, accession 0000939767-26-000098, filed August 5, 2026. [SEC filing](#) · [SEC filing index](#).
- **[P2]** Exelixis, Inc., “Exelixis Announces Second Quarter 2026 Financial Results and Provides Corporate Update,” Exhibit 99.1 to Form 8-K, accession 0000939767-26-000096, August 5, 2026. [SEC exhibit](#) · [SEC filing index](#).

The case uses written disclosures available by 5 August 2026, 4:30 p.m. ET. The 5:00 p.m. call and later disclosures are outside the information set. Management forecasts, statements and clinical/regulatory descriptions are attributed. No internal Board dispute or financial model is asserted.