REGENXBIO Inc.
Form 10-Q
August 08, 2018
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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, 2018

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 001-37553

REGENXBIO Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware (State or other jurisdiction of incorporation or organization)	47-1851754 (I.R.S. Employer Identification No.)
9600 Blackwell Road, Suite 210	20850

Rockville, MD
(Address of principal executive offices) (Zip Code)

(240) 552-8181

(Registrant's telephone number, including area code)

Not Applicable

(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 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company
		Emerging growth company

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

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

As of August 3, 2018, there were 32,308,644 outstanding shares of the registrant's common stock, par value $0.0001 per share.

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REGENXBIO INC.

QUARTERLY REPORT ON FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2018

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INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). These statements express a belief, expectation or intention and are generally accompanied by words that convey projected future events or outcomes such as "believe," "may," "will," "estimate," "continue "anticipate," "design," "intend," "expect," "could," "plan," "potential," "predict," "seek," "should," "would" or by variations o by similar expressions. We have based these forward-looking statements on our current expectations and assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual results and developments will conform with our expectations and predictions is subject to a number of risks, uncertainties, assumptions and other important factors, including, but not limited to:

- the timing of enrollment, commencement and completion and the success of clinical trials conducted by us, our licensees and our partners;
- the timing of commencement and completion and the success of preclinical studies conducted by us and our development partners;
- the timely development and launch of new products;
- the ability to obtain and maintain regulatory approval of our product candidates, and the labeling for any approved products;
- the scope, progress, expansion and costs of developing and commercializing our product candidates;
- our ability to obtain and maintain intellectual property protection for our product candidates and technology;
- our anticipated growth strategies;
- our expectations regarding competition;
- the anticipated trends and challenges in our business and the market in which we operate;
- our ability to attract or retain key personnel;
- the size and growth of the potential markets for our product candidates and the ability to serve those markets;
- the rate and degree of market acceptance of any of our product candidates;
- our ability to establish and maintain development partnerships;
- our expectations regarding our expenses and revenue;
- our expectations regarding regulatory developments in the United States and foreign countries; and
- the use or sufficiency of our cash and cash equivalents and needs for additional financing.

You should carefully read the factors discussed in the sections titled "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Quarterly Report on Form 10-Q, our Annual Report on Form 10-K for the year ended December 31, 2017 and in our other filings with the U.S. Securities and Exchange Commission (the SEC) for additional discussion of the risks, uncertainties, assumptions and other important factors that could cause our actual results or developments to differ materially and adversely from those projected in the forward-looking statements. The actual results or developments anticipated may not be realized or, even if substantially realized, they may not have the expected consequences to or effects on us or our businesses or operations. Such statements are not guarantees of future performance and actual results or developments may differ materially and adversely from those projected in the forward-looking statements. These forward-looking statements speak only as of the date of this report. Except as required by law and the rules of the SEC, we do not undertake any obligation, and specifically decline any obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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Available Information

We file annual, quarterly, and current reports, proxy statements, and other documents with the SEC under the Exchange Act. The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1 800 SEC 0330. Also, you may obtain any reports, proxy and information statements, and other information that we file electronically with the SEC at www.sec.gov.

The public also may view and download copies of our SEC filings free of charge at our website, www.regenxbio.com. The information contained on, or that can be accessed through, our website will not be deemed to be incorporated by reference in, and are not considered part of, this Quarterly Report on Form 10-Q. Investors should also note that we use our website, as well as SEC filings, press releases, public conference calls and webcasts, to announce financial information and other material developments regarding our business. We use these channels, as well as any social media channels listed on our website, to communicate with investors and members of the public about our company. It is possible that the information that we post on our social media channels could be deemed material information. Therefore, we encourage investors, the media and others interested in our company to review the information that we post on our social media channels.

As used in this Quarterly Report on Form 10-Q, the terms "REGENXBIO," "we," "us," "our" or the "Company" mean REGENXBIO Inc. and its subsidiaries, on a consolidated basis, unless the context indicates otherwise.

NAV, REGENXBIO and the REGENXBIO logos are our registered trademarks. Any other trademarks appearing in this Quarterly Report on Form 10-Q are the property of their respective holders.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

REGENXBIO INC.

CONSOLIDATED BALANCE SHEETS

(unaudited)

(in thousands, except per share data)

	June 30, 2018	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	$106,889	$46,656
Marketable securities	179,605	114,122
Accounts receivable	739	473
Prepaid expenses	3,690	5,334
Other current assets	2,347	1,412
Total current assets	293,270	167,997
Marketable securities	19,795	15,616
Accounts receivable	4,485	—
Property and equipment, net	16,698	13,977
Restricted cash	225	225
Other assets	1,514	862
Total assets	$335,987	$198,677
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$4,230	$4,832
Accrued expenses and other current liabilities	12,023	9,605
Deferred revenue	600	—
Total current liabilities	16,853	14,437
Deferred rent, net of current portion	1,192	1,211
Other liabilities	720	—
Total liabilities	18,765	15,648
Commitments and contingencies (Note 6)		
Stockholders' equity		
Preferred stock; $0.0001 par value; 10,000 shares authorized, and no shares issued and outstanding at June 30, 2018 and December 31, 2017	—	—
Common stock; $0.0001 par value; 100,000 shares authorized at June 30, 2018 and December 31, 2017; 32,275 and 31,295 shares issued and outstanding at	3	3

June 30, 2018 and December 31, 2017, respectively		
Additional paid-in capital	386,110	371,497
Accumulated other comprehensive loss	(771)	(715)
Accumulated deficit	(68,120)	(187,756)
Total stockholders' equity	317,222	183,029
Total liabilities and stockholders' equity	$335,987	$198,677

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

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REGENXBIO INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(unaudited)

(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues				
License revenue	$40,031	$6,555	$172,422	$7,010
Other revenues	—	7	—	7
Total revenues	40,031	6,562	172,422	7,017
Expenses				
Costs of revenues				
Licensing costs	3,872	1,311	6,280	1,402
Other	—	6	—	6
Research and development	21,486	13,917	41,036	30,536
General and administrative	8,318	6,355	16,698	12,977
Other operating expenses	5	29	33	74
Total operating expenses	33,681	21,618	64,047	44,995
Income (loss) from operations	6,350	(15,056)	108,375	(37,978)
Other Income				
Interest income from licensing	6,898	—	8,253	—
Investment income	1,196	583	2,055	1,512
Total other income	8,094	583	10,308	1,512
Income (loss) before income taxes	14,444	(14,473)	118,683	(36,466)
Income Tax Expense	(3,850)	—	(3,850)	—
Net income (loss)	$10,594	$(14,473)	$114,833	$(36,466)
Other Comprehensive Income (Loss)				
Unrealized gain (loss) on available-for-sale securities, net of reclassifications and income tax expense	132	(74)	(56)	(613)
Total other comprehensive income (loss)	132	(74)	(56)	(613)
Comprehensive income (loss)	$10,726	$(14,547)	$114,777	$(37,079)
Net income (loss) applicable to common stockholders	$10,594	$(14,473)	$114,833	$(36,466)
Net income (loss) per share:				
Basic	$0.33	$(0.47)	$3.60	$(1.27)
Diluted	$0.30	$(0.47)	$3.29	$(1.27)
Weighted-average common shares outstanding:				
Basic	32,082	30,662	31,858	28,678
Diluted	35,272	30,662	34,884	28,678

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

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REGENXBIO INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(in thousands)

	Six Months Ended June 30,	
	2018	2017
Cash flows from operating activities		
Net income (loss)	$114,833	$(36,466)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities		
Stock-based compensation expense	7,272	5,074
Net amortization of premiums and accretion of discounts on marketable debt securities	718	945
Depreciation and amortization	1,730	1,257
Net realized gains on sales of marketable securities	—	(480)
Imputed interest income from licensing	(8,253)	—
Other non-cash adjustments	13	40
Changes in operating assets and liabilities		
Accounts receivable	8,879	982
Prepaid expenses	1,644	(657)
Other current assets	(585)	(242)
Other assets	(652)	(86)
Accounts payable	(340)	2,723
Accrued expenses and other current liabilities	2,566	(31)
Deferred revenue	600	—
Deferred rent	19	(89)
Other liabilities	(99)	—
Net cash provided by (used in) operating activities	128,345	(27,030)
Cash flows from investing activities		
Purchases of marketable securities	(139,081)	(46,593)
Maturities of marketable securities	68,645	28,010
Sales of marketable securities	—	780
Purchases of property and equipment	(5,017)	(4,609)
Net cash used in investing activities	(75,453)	(22,412)
Cash flows from financing activities		
Proceeds from exercise of stock options	6,999	329
Proceeds from issuance of common stock under employee stock purchase plan	342	147
Proceeds from public offering of common stock, net of underwriting discounts and commissions	—	81,994

Issuance costs for public offering of common stock	—	(219)
Net cash provided by financing activities	7,341	82,251
Net increase in cash and cash equivalents and restricted cash	60,233	32,809
Cash and cash equivalents and restricted cash		
Beginning of period	46,881	25,065
End of period	$107,114	$57,874
Supplemental disclosures of non-cash investing and financing activities		
Issuance costs for public offering of common stock in accounts payable and accrued expenses	$—	$193

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

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REGENXBIO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. Nature of Business

REGENXBIO Inc. (the Company) is a leading clinical-stage biotechnology company seeking to improve lives through the curative potential of gene therapy. The Company's proprietary adeno-associated virus (AAV) gene delivery platform (NAV Technology Platform) consists of exclusive rights to over 100 novel AAV vectors, including AAV7, AAV8, AAV9 and AAVrh10. The Company's NAV® Technology Platform is being applied by the Company, as well as by third-party licensees (NAV Technology Licensees), in the development of product candidates for a variety of diseases with unmet needs. The Company was formed in 2008 in the State of Delaware and is headquartered in Rockville, Maryland.

Liquidity and Risks

As of June 30, 2018, the Company had generated an accumulated deficit of $68.1 million since inception. As the Company has incurred cumulative losses since inception, transition to recurring profitability is dependent upon the successful development, approval and commercialization of its product candidates and achieving a level of revenues adequate to support the Company's cost structure. The Company may never achieve recurring profitability, and unless and until it does, the Company will continue to need to raise additional capital. As of June 30, 2018, the Company had cash, cash equivalents and marketable securities of $306.3 million, which management believes is sufficient to fund operations for at least the next 12 months from the date these consolidated financial statements were issued.

The Company is subject to risks common to companies in the biotechnology industry, including, but not limited to, development by the Company or its competitors of technological innovations, risks of failure of clinical trials, dependence on key personnel, protection of proprietary technology, compliance with government regulations and ability to transition from clinical manufacturing to the commercial production of products.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements are unaudited and have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Any reference in these notes to applicable guidance is meant to refer to the authoritative GAAP as found in the Accounting Standards Codification (ASC) and Accounting Standards Update (ASU) of the Financial Accounting Standards Board (FASB). The interim

unaudited consolidated financial statements have been prepared on the same basis as the annual audited consolidated financial statements as of and for the year ended December 31, 2017 included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, which was filed with the SEC on March 6, 2018. Certain information and footnote disclosures required by GAAP which are normally included in the Company's annual consolidated financial statements have been omitted pursuant to SEC rules and regulations for interim reporting. In the opinion of management, the accompanying consolidated financial statements reflect all adjustments, which include all normal and recurring adjustments necessary for the fair statement of the Company's financial position as of June 30, 2018, and the results of its operations and its cash flows for the interim periods ended June 30, 2018 and 2017.

The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full year, any other interim periods, or any future year or period. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements as of and for the year ended December 31, 2017, and the notes thereto, which are included in the Company's Annual Report on Form 10-K.

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ materially from those estimates. Management considers many factors in selecting appropriate financial accounting policies and controls, and in developing the estimates and assumptions that are used in the preparation of these consolidated financial statements. Management must apply significant judgment in this process. In addition, other factors may affect estimates, including: expected business and operational

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changes, sensitivity and volatility associated with the assumptions used in developing estimates and whether historical trends are expected to be representative of future trends. The estimation process often may yield a range of potentially reasonable estimates of the ultimate future outcomes and management must select an amount that falls within that range of reasonable estimates. This process may result in actual results differing materially from those estimated amounts used in the preparation of the consolidated financial statements. Estimates are used in the following areas, among others: revenue, stock-based compensation expense, accrued research and development expenses and other accrued expenses, income taxes and the fair value of financial instruments.

Accounts Receivable

Accounts receivable primarily consist of consideration due to the Company resulting from its license agreements with NAV Technology Licensees. Accounts receivable include amounts invoiced to licensees as well as rights to consideration which have not yet been invoiced to licensees and for which payment is conditional solely upon the passage of time. If a licensee elects to terminate a license prior to the end of the license term, the licensed intellectual property is returned to the Company and any accounts receivable from the licensee which are not contractually payable to the Company are charged off as a reduction of license revenue in the period of the termination. Accounts receivable from licensees which are not expected to be received by the Company within 12 months from the reporting date are stated net of a discount to present value and recorded as non-current assets on the consolidated balance sheets.

Receivables are stated net of an allowance for doubtful accounts, if deemed necessary based on the Company's evaluation of collectability using specific identification of account balances, the credit profile of its customers and historical information regarding write-offs. Account balances are charged off against the allowance when the potential for recovery is considered remote. The Company did not record an allowance for doubtful accounts as of June 30, 2018 or December 31, 2017.

Non-marketable Equity Securities

The Company's non-marketable equity securities do not have readily determinable fair values and consist of equity investments in other entities in which the Company's ownership interest is below 20% and the Company does not have significant influence over the operations of the entity. Prior to January 1, 2018, non-marketable equity securities were accounted for using the cost method and measured at cost less impairment. Beginning January 1, 2018, upon the Company's adoption of ASU 2016-01, Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, non-marketable equity securities are measured at cost less impairment, adjusted for observable price changes for identical or similar investments of the same issuer. Please refer to Note 4 for further information on non-marketable equity securities.

Fair Value of Financial Instruments

The Company is required to disclose information on all assets and liabilities reported at fair value that enables an assessment of the inputs used in determining the reported fair values. FASB ASC Topic 820, Fair Value Measurements and Disclosures (ASC 820), establishes a hierarchy of inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the inputs that market participants would use in pricing the asset or liability, and are developed based on the best information available in the circumstances. The fair value hierarchy applies only to the valuation inputs used in determining the reported fair value of the investments and is not a measure of the

investment credit quality. The three levels of the fair value hierarchy are described below:

- Level 1—Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2—Valuations based on quoted prices for similar assets or liabilities in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3—Valuations that require inputs that reflect the Company's own assumptions that are both significant to the fair value measurement and unobservable.

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The fair values of the Company's Level 2 instruments are based on quoted market prices or broker or dealer quotations for similar assets. These investments are initially valued at the transaction price and subsequently valued utilizing third party pricing providers or other market observable data. Please refer to Note 4 for further information on the fair value measurement of the Company's financial instruments.

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Revenue Recognition

Effective January 1, 2018, the Company adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition (Topic 605). Please refer to Recent Accounting Pronouncements below for additional information on the adoption of Topic 606 and the impact upon adoption to the Company's financial position and results of operations.

Topic 606 requires entities to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The following five steps are performed to determine the appropriate revenue recognition for arrangements within the scope of Topic 606: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies the performance obligations.

The Company applies the five-step model to contracts that are within the scope of Topic 606 only when it is probable that the Company will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, for contracts within the scope of Topic 606, the Company assesses the goods or services promised within each contract and determined those that are performance obligations and whether each promised good or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to respective performance obligations when (or as) the respective performance obligations are satisfied.

The Company evaluates its contracts for the presence of significant financing components. If a significant financing component is identified in a contract and provides a financing benefit to the customer, the transaction price for the contract is adjusted to account for the financing portion of the arrangement, which is recognized as interest income over the financing term using the effective interest method. In determining the appropriate interest rates for significant financing components, the Company evaluates the credit profile of the customer and prevailing market interest rates and selects an interest rate in which it believes would be charged to the customer in a separate financing arrangement over a similar financing term.

License revenue

The Company licenses its NAV Technology Platform to other biotechnology and pharmaceutical companies. The terms of the licenses vary, however licenses may be exclusive or non-exclusive and may be sublicensable by the licensee. Licenses may grant intellectual property rights for purposes of internal and preclinical research and development only, or may include the rights, or options to obtain future rights, to commercialize drug therapies for specific diseases using the Company's NAV Technology Platform. License agreements generally have a term at least equal to the life of the underlying patents, but are terminable at the option of the licensee. Consideration to the Company under its license agreements may include: (i) up-front fees, (ii) option fees to obtain additional licenses, (iii) annual maintenance fees, (iv) milestone payments based on the achievement of certain development and sales-based milestones by licensees, (v) sublicense fees and (vi) royalties on sales of licensed products.

The Company has determined that all of its license agreements are contracts with customers within the scope of Topic 606. Although licenses are terminable at the option of licensee, the Company has determined that there is a substantive termination penalty associated with the termination of each license. Due to the substantive termination penalty, the contract term for purposes of applying Topic 606 is equal to the stated term of the license agreement, which is the life of the underlying licensed patents. The Company's performance obligations under its license agreements include the delivery of intellectual property licenses to licensees as well as options granted to licensees to

acquire future licenses to the extent the options represent material rights to the licensee. The transaction price for each license agreement is allocated to these performance obligations and recognized as revenue when the performance obligations are satisfied. Consideration allocated to performance obligations for the delivery of intellectual property licenses is recognized as revenue upon the delivery of the license(s) to the licensee, which generally occurs upon the execution of the license agreement. Consideration allocated to performance obligations for license options is recognized as revenue upon the earlier of the option exercise or expiration.

For license agreements which contain options for the licensee to purchase additional licenses in the future, the Company evaluates the options at the inception of the agreement to determine if they provide a material right to the licensee. In making this determination, the Company considers whether the optional licenses are priced at a discount to the standalone selling price for the licenses. For options granted which are deemed to be material rights to the licensee, the Company allocates a portion of the transaction price to the performance obligation for the option and recognizes that consideration as revenue at the earlier of option exercise or expiration. Options which are not material rights to licensees are not considered performance obligations and are not accounted for as part of the license agreement until exercised by the licensee. Consideration contingent upon the exercise of options by licensees is excluded from the transaction price and not accounted for as part of the license agreement until the option is exercised. Upon the exercise of an option by a licensee, the additional consideration related to the option exercise is added to the transaction price and recognized as revenue upon the delivery of the newly purchased license.

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The Company evaluates the transaction price for its license agreements at each reporting date. The transaction price for each license includes all fixed consideration, as well as variable consideration to the extent that it is probable that a significant reversal of revenue will not occur in the future. Fixed consideration under the Company's license agreements includes up-front fees and annual maintenance fees. Variable consideration under the Company's license agreements includes development and sales-based milestone payments, sublicense fees and royalties on sales of licensed products.

Up-front license fees are included in the transaction price and recognized as revenue upon the delivery of the license. If up-front license fees are payable to Company in periods beyond 12 months from the delivery of the license, a significant financing component is deemed to exist and the Company adjusts the transaction price to include only the present value of the license fees. The discounted portion of the license fees is recognized as interest income in the consolidated statements of operations over the term of the financing period.

Annual maintenance fees are generally payable to the Company on each anniversary date over the term of the license agreement. The Company has determined that the payment of annual maintenance fees by licensees in future periods represents a significant financing component to the license since the delivery of the license occurs at the inception of the agreement. The present value of aggregate annual maintenance fees payable to the Company over the term of the license is included in the transaction price and recognized as revenue upon the delivery of the license. The discounted portion of the annual maintenance fees is recognized as interest income in the consolidated statements of operations over the term of the license.

Development milestone payments are payable to the Company upon the achievement of specified development milestones by licensees. At the inception of each license agreement that contains development milestone payments, the Company evaluates whether the milestones are considered probable of achievement and estimates the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant revenue reversal will not occur in the future, milestone payments are included in the transaction price and recognized as revenue upon the delivery of the license. Milestone payments contingent on the achievement of development milestones that are not within the control of the Company or the licensee, such as regulatory approvals, are not considered probable of being achieved and are excluded from the transaction price until the milestone is achieved. At each reporting date, the Company re-evaluates the probability of achievement of outstanding development milestones and, if necessary, adjusts the transaction price for any milestones for which the probability of achievement has changed due to current facts and circumstances. Any such adjustments are recorded on a cumulative catch-up basis and recorded as license revenue in the period of the adjustment.

Royalties on sales of licensed products, sales-based milestone payments and sublicense fees based on the receipt of certain fees by licensees from any sublicensees are excluded from the transaction price for each license and recognized as revenue in the period that the related sales or sublicenses occur, provided that the associated license has been delivered to the licensee. To date the Company has not recognized any revenue from royalties on sales of licensed products, the achievement of sales-based milestones or sublicense fees.

The Company receives payments from licensees based on the billing schedules established in each license agreement. Amounts recognized as revenue which have not yet been received from licensees are recorded as accounts receivable when the Company's rights to the consideration are conditional solely upon the passage of time. Amounts recognized as revenue which have not yet been received from licensees are recorded as contract assets when the Company's rights to the consideration are not unconditional. Contract assets are recorded as other current assets on the consolidated balance sheets. If a licensee elects to terminate a license prior to the end of the license term, the licensed intellectual property is returned to the Company and any consideration recorded as accounts receivable or contract assets which is

not contractually payable by the licensee is charged off as a reduction of license revenue in the period of the termination. Amounts received by the Company prior to the delivery of underlying performance obligations are deferred and recognized as revenue upon the satisfaction of the performance obligations by the Company.

Costs of Revenues

Licensing costs consist of sublicense fees incurred by the Company to its licensors as a result of license revenues generated by the Company. Sublicense fees are based on a percentage of license fees received by the Company from licensees as specified in the Company's agreements with its licensors. The Company recognizes sublicense fees in the period that the underlying license revenue is recognized. Sublicense fees payable by the Company to licensors in periods beyond 12 months from the reporting are recorded as non-current liabilities on the consolidated balance sheets.

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Net Income (Loss) Per Share

Basic net income (loss) per share is calculated by dividing net income (loss) applicable to common stockholders by the weighted-average common shares outstanding during the period, without consideration for common stock equivalents. Diluted net income (loss) per share is calculated by adjusting the weighted-average common shares outstanding for the dilutive effect of common stock equivalents outstanding for the period, determined using the treasury-stock method. Contingently convertible shares in which conversion is based on non-market-priced contingencies are excluded from the calculations of both basic and diluted net income (loss) per share until the contingency has been fully met. For purposes of the diluted net income (loss) per share calculation, common stock equivalents are excluded from the calculation of diluted net income (loss) per share if their effect would be anti-dilutive.

Recent Accounting Pronouncements

Adoption of ASU 2014-09, Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition (Topic 605). Effective January 1, 2018, the Company adopted Topic 606 using the modified retrospective transition method. Under this method, the Company applied Topic 606 to all contracts with customers which were not completed as of January 1, 2018 and recorded the cumulative impact of the adoption as an adjustment to its accumulated deficit on January 1, 2018. The Company's financial results for periods ending after January 1, 2018 are presented in accordance with the requirements of Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with Topic 605. Please refer to Revenue Recognition above for additional information on Topic 606, including a description of the Company's revenue recognition policies upon adoption.

The Company recorded a net reduction in opening accumulated deficit of $4.8 million as of January 1, 2018 for the cumulative impact of adoption of Topic 606, which was primarily the result of accelerated recognition of license revenue due to annual maintenance fees under Topic 606. Under Topic 605, annual maintenance fees payable to the Company by licensees were recognized as license revenue annually when the amounts became fixed or determinable. Under Topic 606, the present value of aggregate annual maintenance fees over the term of the license agreement are recognized as revenue upon the delivery of the license to the licensee. The impact of the accelerated recognition of license revenue upon adoption was partially offset by the accelerated recognition of licensing costs to the Company's licensors. The Company recognizes sublicense fees to its licensors in the period the underlying license revenue is recognized.

The cumulative adjustment for the adoption of Topic 606 had the following effects on the Company's consolidated balance sheet as of January 1, 2018 (in thousands):

	Balance at December 31, 2017	Cumulative Adjustment for Adoption of Topic 606	Balance at January 1, 2018

Consolidated Balance Sheet			
Assets:			
Accounts receivable, current	$ 473	$ 527	$ 1,000
Accounts receivable, non-current	$ —	$ 4,850	$ 4,850
Other current assets	$ 1,412	$ 350	$ 1,762
Liabilities:			
Accrued expenses and other current liabilities	$ 9,605	$ 105	$ 9,710
Other liabilities	$ —	$ 819	$ 819
Stockholders Equity:			
Accumulated deficit	$ (187,756)	$ 4,803	$ (182,953)

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The following tables present the effects of the adoption of Topic 606 on each financial statement line item of the Company's financial statements for the interim periods ended June 30, 2018 (in thousands, except per share data):

	As of June 30, 2018		
	As Reported	Impact of Adoption of Topic 606	Results Without Adoption of Topic 606
Consolidated Balance Sheet			
Assets:			
Accounts receivable, current	$739	$ 567	$172
Accounts receivable, non-current	$4,485	$ 4,485	$—
Prepaid expenses	$3,690	$ 60	$3,630
Liabilities:			
Accrued expenses and other current liabilities	$12,023	$ 100	$11,923
Deferred revenue	$600	$ 600	$—
Other liabilities	$720	$ 720	$—
Stockholders Equity:			
Accumulated deficit	$(68,120)	$ 3,692	$(71,812)

	Three Months Ended June 30, 2018			Six Months Ended June 30, 2018		
	As Reported	Impact of Adoption of Topic 606	Results Without Adoption of Topic 606	As Reported	Impact of Adoption of Topic 606	Results Without Adoption of Topic 606
Consolidated Statement of Operations						
Revenues:						
License revenue	$40,031	$(61,244)	$101,275	$172,422	$ (9,529)	$181,951
Expenses:						
Licensing costs	$3,872	$(1,220)	$5,092	$6,280	$ (165)	$6,445
Other Income:						
Interest income from licensing	$6,898	$6,898	$—	$8,253	$ 8,253	$—
Net Income	$10,594	$(53,126)	$63,720	$114,833	$ (1,111)	$115,944

Net Income Per Share:						
Basic	$0.33	$(1.66)	$1.99	$3.60	$(0.04)	$3.64
Diluted	$0.30	$(1.51)	$1.81	$3.29	$(0.03)	$3.32

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	Six Months Ended June 30, 2018		
	As Reported	Impact of Adoption of Topic 606	Results Without Adoption of Topic 606
Consolidated Statement of Cash Flows			
Cash Flows from Operating Activities:			
Net income	$114,833	$(1,111)	$115,944
Imputed interest income from licensing	$(8,253)	$(8,253)	$—
Changes in accounts receivable	$8,879	$8,578	$301
Changes in prepaid expenses	$1,644	$(60)	$1,704
Changes in other current assets	$(585)	$350	$(935)
Changes in accrued expenses and other current liabilities	$2,566	$(5)	$2,571
Changes in deferred revenue	$600	$600	$—
Changes in other liabilities	$(99)	$(99)	$—

The most significant effect that the adoption of Topic 606 had on the results of operations for the three and six months ended June 30, 2018, as compared to what results would have been if Topic 605 had continued to be applied, is related to the amount of revenue and interest income from licensing recognized under the Company's January 2018 amendment to its license agreement with AveXis, Inc. (AveXis) for the development and commercialization of treatments for spinal muscular atrophy (SMA). Under Topic 606, the Company recognized the present value of all fixed consideration under the amendment as revenue upon the delivery of the license to AveXis in January 2018, including the present value of the two $30.0 million payments originally due to the Company in January 2019 and January 2020. The present value discount, which represents the financing portion of the consideration under Topic 606, was recognized as interest income from licensing over the financing term of the agreement. Under Topic 605, the Company would not have recognized such revenue until it became fixed and determinable and collectability was reasonably assured, and the Company would not have recognized any interest income from significant financing components under the license agreement. Under the requirements of Topic 606, the Company recognized license revenue of $40.0 million and $172.1 million, and interest income from licensing of $6.8 million and $8.0 million, during the three and six months ended June 30, 2018, respectively, related to its amended license agreement with AveXis. If the requirements of Topic 605 had been applied during the three and six months ended June 30, 2018, the Company would have recognized license revenue of $100.0 million and $180.0 million, respectively, and interest income from licensing of $0, related to its amended license agreement with AveXis. Please refer to Note 7 for further information on license revenue and the Company's accounting analysis for the amended license with AveXis.

Other recently adopted accounting pronouncements

In May 2017, the FASB issued ASU 2017-09, Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting, which clarifies when modification accounting should be applied for changes to terms or conditions of a share-based award. The standard is effective for annual and interim periods beginning after December 15, 2017, with early adoption permitted, and is to be applied prospectively upon adoption. The Company adopted this standard effective January 1, 2018. The adoption of this standard did not have a material impact on the Company's financial position or results of operations.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. The standard requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents and restricted cash. As a result, amounts generally described as restricted cash should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The standard is effective for annual and interim periods beginning after December 15, 2017, with early adoption permitted, and is to be applied retrospectively to each period presented. The Company adopted this standard effective January 1, 2018. The adoption of this standard did not have a material impact on the Company's consolidated statements of cash flows.

The Company's restricted cash includes money market mutual funds used to collateralize an irrevocable letter of credit as required by the Company's lease agreement for its office space in New York, New York. The following table provides a reconciliation of cash and cash equivalents and restricted cash as reported on the consolidated balance sheets to the total of these amounts as reported at the end of the period in the consolidated statements of cash flows (in thousands):

	June 30, 2018	June 30, 2017
Cash and cash equivalents	$106,889	$57,649
Restricted cash	225	225
Total cash and cash equivalents and restricted cash	$107,114	$57,874

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In January 2016, the FASB issued ASU 2016-01, Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, which modifies the current guidance on the recognition, measurement, presentation and disclosure of financial instruments. In February 2018, the FASB issued ASU 2018-03, Technical Corrections and Improvements to Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, which clarifies the guidance in ASU 2016-01. The Company adopted these standards effective January 1, 2018. Upon the adoption of these standards, the Company elected to measure its non-marketable equity securities without readily available fair values at cost less impairment, adjusted for observable price changes for identical or similar investments of the same issuer. Prior to the adoption of these standards, the Company measured these investments at cost less impairment. The adoption of these standards did not have a material impact on the Company's financial position or results of operations.

Recent accounting pronouncements not yet adopted

In June 2018, the FASB issued ASU 2018-07, Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-based Payment Accounting which supersedes the current guidance for accounting for share-based payments to nonemployees under ASC 505-50, Equity—Equity-based Payments to Nonemployees. The new guidance expands the scope of Topic 718 to include share-based payments to nonemployees for goods or services. Consequently, the accounting for share-based payments to employees and nonemployees will be substantially aligned. The standard is effective for annual and interim periods beginning after December 15, 2018, with early adoption permitted upon issuance. The Company is evaluating the application of this standard but has not yet determined the potential effects it may have on the Company's consolidated financial statements.

In February 2018, the FASB issued ASU 2018-02, Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income which amends the current guidance on comprehensive income to provide an option for an entity to reclassify the stranded tax effects of the Tax Cuts and Jobs Act of 2017 (the TCJA) that was signed into law in December 2017 from accumulated other comprehensive income directly to retained earnings. The stranded tax effects result from the remeasurement of deferred tax assets and liabilities which were originally recorded in comprehensive income but whose remeasurement is reflected in the income statement. The standard is effective for annual and interim periods beginning after December 15, 2018, with early adoption permitted upon issuance. The Company is evaluating the application of this standard but has not yet determined the potential effects it may have on the Company's consolidated financial statements.

In April 2017, the FASB issued ASU 2017-08, Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20), which amends the required amortization period for certain purchased callable debt securities held at a premium by shortening the amortization period for the premium to the earliest call date. The standard is effective for annual and interim periods beginning after December 15, 2019, with early adoption permitted upon issuance, and is to be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Company does not believe the application of this standard will have a material impact on the Company's financial position or results of operations.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which amends the accounting for credit losses for most financial assets and certain other instruments. The standard requires that entities holding financial assets and net investment in leases that are not accounted for at fair value through net income be presented at the net amount expected to be collected. An allowance for credit losses will be a valuation account that will be deducted from the amortized cost basis of the financial asset to present the net carrying value at the amount expected to be collected on the financial asset. The

standard is effective for annual and interim periods beginning after December 15, 2019, with early adoption permitted for annual and interim periods beginning after December 15, 2018. The Company does not believe the application of this standard will have a material impact on the Company's financial position or results of operations.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) which supersedes FASB ASC Topic 840, Leases (Topic 840) and provides principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. In July 2018, the FASB issued ASU 2018-10, Codification Improvements to Topic 842, Leases which clarifies multiple aspects of the guidance under Topic 842. The standards are effective for annual and interim periods beginning after December 15, 2018, with early adoption permitted upon issuance. The Company believes the new standards will significantly impact the accounting for its operating leases for office and laboratory facilities. The Company expects the adoption of these standards will have a material impact on the Company's consolidated balance sheet; however, the evaluation of these standards is not yet complete, and the Company has not yet determined the potential impact on the Company's consolidated statement of operations.

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3. Marketable Securities

The following tables present a summary of the Company's marketable securities, which consist solely of available-for-sale debt securities (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
June 30, 2018				
U.S. government and federal agency securities	$ 19,280	$ —	$ (14)	$ 19,266
Certificates of deposit	735	—	—	735
Corporate bonds	179,721	3	(325)	179,399
	$ 199,736	$ 3	$ (339)	$ 199,400

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
December 31, 2017				
Corporate bonds	$ 130,018	$ 2	$ (282)	$ 129,738
	$ 130,018	$ 2	$ (282)	$ 129,738

As of June 30, 2018 and December 31, 2017, no available-for-sale securities had remaining maturities greater than three years.

The amortized cost of available-for-sale securities is adjusted for amortization of premiums and accretion of discounts to maturity. As of June 30, 2018 and December 31, 2017, the balance in the Company's accumulated other comprehensive loss consisted solely of net unrealized gains and losses on available-for-sale securities, net of income tax effects and reclassification adjustments for realized gains and losses. During the three months and six months ended June 30, 2018, the Company recognized net unrealized gains (losses) on available-for-sale securities of $0.1 million and $(0.1) million, respectively, and income tax expense of $0 in other comprehensive income (loss) for the period. The Company did not recognize any realized gains or losses on the sale or maturity of available-for-sale securities during the three and six months ended June 30, 2018. During the three and six months ended June 30, 2017, the Company recognized net unrealized losses on available-for-sale securities of $0.1 million and $0.1 million, respectively, and income tax expense of $0 in other comprehensive income (loss) for the period. The Company recognized net realized gains of $0 and $0.5 million on the sale or maturity of marketable securities during the three and six months ended June 30, 2017, respectively, which were reclassified out of accumulated other comprehensive loss during the period and are included in investment income in the consolidated statements of operations and comprehensive income (loss).

The following tables present the fair values and unrealized losses of marketable securities held by the Company in an unrealized loss position for less than 12 months and 12 months or greater (in thousands):

	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
June 30, 2018						
U.S. government and federal agency securities	$19,266	$ (14)	$—	$ —	$19,266	$ (14)
Corporate bonds	143,503	(239)	21,066	(86)	164,569	(325)
	$162,769	$ (253)	$21,066	$ (86)	$183,835	$ (339)

	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2017						
Corporate bonds	$109,238	$ (180)	$17,124	$ (102)	$126,362	$ (282)
	$109,238	$ (180)	$17,124	$ (102)	$126,362	$ (282)

As of June 30, 2018, securities held by the Company which were in an unrealized loss position consisted of 62 investment grade fixed income security positions. The Company has the intent and ability to hold such securities until recovery and has determined that none of its investments were other-than-temporarily impaired as of June 30, 2018 or December 31, 2017.

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4. Fair Value of Financial Instruments

Financial instruments reported at fair value on a recurring basis include cash equivalents and marketable securities. Cash equivalents consist of money market mutual funds and marketable securities consist of fixed income debt securities. The following tables present the fair value of cash equivalents and marketable securities in accordance with the hierarchy discussed in Note 2 (in thousands):

	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
June 30, 2018				
Money market mutual funds (cash equivalents)	$ —	$ 106,867	$ —	$ 106,867
U.S. government and federal agency securities (marketable securities)	—	19,266	—	19,266
Certificates of deposit (marketable securities)	—	735	—	735
Corporate bonds (marketable securities)	—	179,399	—	179,399
	$ —	$ 306,267	$ —	$ 306,267

	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
December 31, 2017				
Money market mutual funds (cash equivalents)	$ —	$ 46,646	$ —	$ 46,646
Corporate bonds (marketable securities)	—	129,738	—	129,738
	$ —	$ 176,384	$ —	$ 176,384

There were no transfers of financial instruments between levels of the fair value hierarchy during the six months ended June 30, 2018.

Management estimates that the carrying amounts of its current accounts receivable, accounts payable and accrued expenses and other current liabilities approximate fair value due to the short-term nature of those instruments. Non-current accounts receivable are recorded at their present values using a discount rate that is based on prevailing market rates and the credit profile of the licensee on the date the amounts are initially recorded. Management does not believe there have been any significant changes in market conditions that would cause the discount rates used to be

significantly different from those that would be used as of June 30, 2018 to determine the present value of the receivables. Accordingly, management estimates that the carrying value of its non-current accounts receivable approximates the fair value of those instruments.

The Company’s non-marketable equity securities are measured at cost less impairment, adjusted for observable price changes for identical or similar investments of the same issuer. As of June 30, 2018 and December 31, 2017, non-marketable equity securities had carrying values of $0.4 million and are included in other assets on the consolidated balance sheets. Since the acquisition of the securities, the Company has not identified any observable price changes or changes in circumstances that would have an adverse effect on the fair value of its non-marketable equity securities as of June 30, 2018. No impairment losses on non-marketable equity securities were recorded during the three and six months ended June 30, 2018 and 2017.

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5. Property and Equipment, Net

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

	June 30, 2018	December 31, 2017
Computer equipment and software	$1,814	$ 1,481
Lab equipment	9,496	8,561
Furniture and fixtures	1,695	1,384
Leasehold improvements	8,680	5,828
Total property and equipment	21,685	17,254
Accumulated depreciation and amortization	(4,987)	(3,277)
Property and equipment, net	$16,698	$ 13,977

6. Commitments and Contingencies

Lease Agreements

The Company recognizes rent expense on a straight-line basis over the term of its operating leases commencing on the date the Company takes possession of the leased property. Tenant improvement allowances that are considered to be lease incentives from the lessor are recorded as deferred rent and amortized as a reduction of rent expense over the term of the lease from the possession date.

In March 2015, the Company entered into a non-cancelable operating lease for office space at 9712 Medical Center Drive in Rockville, Maryland (the Medical Center Drive Lease). The lease term commenced in April 2015. Monthly payments under the lease began in October 2015 and escalate annually in accordance with the lease agreement.

In September 2015, November 2015, July 2017 and April 2018, the Company amended the Medical Center Drive Lease to include additional office and laboratory space at 9714 Medical Center Drive, and ultimately extend the term of the lease to September 2021. The Company has options to extend the term of the Medical Center Drive Lease for up to six additional years. Under the amended lease, the Company has received a $0.4 million tenant improvement allowance from the landlord which will be deferred and amortized on a straight-line basis as a reduction of rent expense over the term of the lease.

In January 2016, the Company entered into a 7.5-year, non-cancelable operating lease for its corporate headquarters at 9600 Blackwell Road in Rockville, Maryland (the Blackwell Road Lease). The lease commenced in February 2016, and expires in September 2023. The Company has an option to extend the term of the lease for an additional five years. In November 2017, the Blackwell Road Lease was amended to include additional office space for the remainder of the lease term. Monthly payments under the lease began in September 2016 and escalate annually in accordance with the lease agreement. The Company received a $0.8 million tenant improvement allowance from the landlord which will be deferred and amortized on a straight-line basis as a reduction of rent expense over the term of lease.

In May 2016, the Company entered into a 51-month, non-cancelable operating lease for additional office space at 400 Madison Avenue in New York, New York. The lease commenced in July 2016, and expires in October 2020. Monthly payments under the lease began in October 2016 and escalate annually in accordance with the lease agreement. Under the terms of the lease agreement, the Company has provided the landlord with an irrevocable letter of credit of $0.2 million which the landlord may draw upon in the event of any uncured default by the Company under the terms of the lease. As of June 30, 2018, the Company has recorded restricted cash of $0.2 million as collateral to the financial institution which issued the letter of credit.

As of June 30, 2018, future minimum lease payments under non-cancelable operating leases are as follows (in thousands):

	Operating Leases
2018 (remainder of year)	$ 1,193
2019	2,395
2020	2,411
2021	1,797
2022	621
Thereafter	479
Total minimum lease payments	$ 8,896

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Licenses Granted to the Company

Licenses granted to the Company may require the Company to make future payments relating to sublicense fees, milestone fees for milestones achieved in the future and royalties on future sales of licensed products. Additionally, the Company may be responsible for the cost of the maintenance of the intellectual property as incurred by its licensors. Up-front fees to obtain licensed technology are included in research and development expenses and patent maintenance costs are included in general and administrative expenses in the consolidated statements of operations and comprehensive income (loss). Sublicense fees are based on a specified percentage of license fees earned by the Company and are included in licensing costs in the consolidated statements of operations and comprehensive income (loss). Milestone fees are included in licensing costs in the consolidated statements of operations and comprehensive loss if the underlying milestone is achieved by a licensee, or in research and development expense if the underlying milestone is achieved by the Company as a result of the development of its product candidates. Royalties on sales of licensed reagents for use in research and development are included in other costs of revenue in the consolidated statements of operations and comprehensive income (loss). The Company has not commercialized any product candidates or paid any royalties under these agreements other than for the sales of licensed reagents.

The Trustees of the University of Pennsylvania. In February 2009, the Company entered into a license agreement, which has been amended from time to time, with The Trustees of the University of Pennsylvania (together with the University of Pennsylvania, Penn) for exclusive, worldwide rights to certain patents owned by Penn underlying the Company’s NAV Technology Platform. Under the terms of the agreement, in consideration for the license, the Company issued to Penn a 24.5% equity interest in the Company on a fully diluted basis after issuance. The Company is obligated to pay Penn royalties on net sales and sublicense fees, if any. Additionally, the Company is obligated to reimburse Penn for certain costs incurred related to the maintenance of the licensed patents.

In April 2016, the Company entered into an agreement with Penn whereby the Company will fund clinical trial activities performed by Penn for RGX-501, the Company’s product candidate for the treatment of homozygous familial hypercholesterolemia (HoFH). In connection with the agreement, the Company amended its license from Penn to include exclusive license rights to data, results and other information generated in connection with the RGX-501 clinical trial.

Expenses incurred by the Company related to its license from Penn were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Sublicense fees	$—	$656	$—	$701
Royalties on sales of reagents	—	4	—	4
Maintenance of licensed patents	98	85	117	169
	$98	$745	$117	$874

As of June 30, 2018 and December 31, 2017, the Company had accrued $0.1 million and less than $0.1 million, respectively, in expenses payable to Penn under the license agreement, which are included in accounts payable,

accrued expenses and other current liabilities and other liabilities on the Company's consolidated balance sheets.

GlaxoSmithKline LLC. In March 2009, the Company entered into a license agreement, which was amended in April 2009, with GlaxoSmithKline LLC (GSK) for exclusive, worldwide rights to certain patents underlying the Company's NAV Technology Platform which are owned by Penn and exclusively licensed to GSK. Under the terms of the agreement, in consideration for the license, the Company issued to GSK a 19.9% equity interest in the Company on a fully diluted basis after issuance. The Company is obligated to pay GSK royalties on net sales and sublicense fees, if any. Additionally, the Company is obligated to reimburse GSK for certain costs incurred and invoiced to the Company related to the maintenance of the licensed patents. The Company is also obligated to pay GSK up to $1.5 million upon the achievement of various milestones. From the inception of the agreement through June 30, 2018, the Company has incurred $0.5 million for milestones that have been achieved or are deemed probable of achievement.

Expenses incurred by the Company related to its license from GSK were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Sublicense fees	$3,998	$656	$6,030	$701
Royalties on sales of reagents	—	2	—	2
Maintenance of licensed patents	97	14	490	159
	$4,095	$672	$6,520	$862

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As of June 30, 2018 and December 31, 2017, the Company had accrued $1.3 million and $0.3 million, respectively, in expenses payable to GSK under the license agreement, which are included in accounts payable, accrued expenses and other current liabilities and other liabilities on the Company's consolidated balance sheets.

Regents of the University of Minnesota. In November 2014, the Company entered into a license agreement, which was amended in November 2016, with Regents of the University of Minnesota (Minnesota), for an exclusive license under certain patent rights to commercialize products covered by the licensed patent rights in any country or territory in which a licensed patent has been issued and is unexpired, or a licensed patent application is pending. In consideration for the license, the Company paid an up-front fee, and reimbursed Minnesota for patent maintenance expenses, for a total of less than $0.1 million. Under the terms of the agreement, the Company is obligated to pay Minnesota annual maintenance fees of less than $0.1 million per year on each anniversary date of the agreement. Additionally, the Company is obligated to pay royalties on net sales and sublicense fees, if any, and up to $0.1 million per licensed product upon the achievement of various milestones. In November 2016, the license with Minnesota was amended to include additional patent rights. In consideration for the additional patent rights, the Company paid an up-front fee of less than $0.1 million. From the inception of the agreement through June 30, 2018, the Company has incurred less than $0.1 million for milestones that have been achieved or are deemed probable of achievement.

Expenses incurred by the Company related to its license from Minnesota were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Sublicense fees	$(125)	$ —	$250	$ —
Maintenance of licensed patents	130	11	142	16
	$5	$ 11	$392	$ 16

As of June 30, 2018 and December 31, 2017, the Company had accrued $0.3 million and $0.1 million, respectively, in expenses payable to Minnesota under the license agreement, which are included in accounts payable and accrued expenses on the Company's consolidated balance sheets.

Other Funding Commitments

In the normal course of business, the Company enters into agreements with contract research organizations, contract manufacturing organizations and other third-parties for services to be provided to the Company. Generally, these agreements provide for termination upon notice, with specified amounts due upon termination based on the timing of termination and the terms of the agreement. The actual amounts and timing of payments under these agreements are uncertain and contingent upon the initiation and completion of services to be provided to the Company.

Guarantees and Indemnifications

In the normal course of business, the Company enters into agreements that contain a variety of representations and provide for general indemnification. The Company's potential exposure under these agreements is unknown because it involves claims that may be made against the Company in the future. To date, the Company has not paid any claims or been required to defend any action related to its indemnification obligations. As of June 30, 2018 and December 31,

2017, the Company did not have any material indemnification claims that were probable or reasonably possible and consequently has not recorded any related liabilities.

European Patent Office Proceeding

In June 2017, a third party filed an opposition with the European Patent Office (EPO) challenging the validity of a European patent owned by Penn for the AAV8 vector, which the Company has exclusively licensed. The Company is unable to estimate the outcome of this matter but intends to assist Penn in vigorously defending this patent. The EPO has scheduled oral proceedings to begin on October 26, 2018. As of June 30, 2018, the Company has not recorded any liabilities related to this matter.

7. License Revenue

Effective January 1, 2018, the Company adopted Topic 606 using the modified retrospective transition method and has applied the new standard to all of its license agreements in effect as of January 1, 2018. Please refer to Note 2 for additional information regarding the adoption of Topic 606. License revenue for periods ending after January 1, 2018 is presented in accordance with the requirements of Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with Topic 605.

As of June 30, 2018, the Company’s NAV Technology Platform was being applied in the development of more than 20 partnered product candidates by its NAV Technology Licensees. Consideration to the Company under its license agreements may

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include: (i) up-front fees, (ii) option fees to obtain additional licenses, (iii) annual maintenance fees, (iv) milestone payments based on the achievement of certain development and sales-based milestones by licensees, (v) sublicense fees and (vi) royalties on sales of licensed products. Sublicense fees vary by license and range from a mid-single digit percentage to a low-double digit percentage of license fees received by licensees as a result of sublicenses. Royalties on net sales of commercialized products vary by license and range from a mid-single digit percentage to a low double-digit percentage of net sales by licensees. To date the Company has not recognized any revenue from the achievement of sales-based milestones, royalties on sales of licensed products or sublicense fees.

Development milestone payments are only included in the transaction price of each license and recognized as revenue to the extent they are considered probable of achievement. Sales-based milestones are excluded from the transaction price of each license agreement and recognized as revenue in the period of achievement. As of June 30, 2018, the Company's license agreements, excluding additional licenses that could be granted upon the exercise of options by licensees, could result in aggregate milestone fees payable to the Company of up to $25.9 million upon the commencement of various stages of clinical trials, $46.0 million upon the submission of regulatory approval filings, $105.5 million upon the approval of commercial products by regulatory agencies and $172.0 million upon the achievement of specified sales targets for licensed products. The achievement of milestones by licensees is highly dependent on the successful development and commercialization of licensed products and it is at least reasonably possible that some or all of the milestone fees will not be realized by the Company.

The following table presents changes in the balances of the Company's receivables, contract assets and contract liabilities during the periods presented (in thousands):

	Balance at Beginning of Period	Net Additions (Deductions)	Balance at End of Period
Three Months Ended June 30, 2018			
Receivables and contract assets:			
Accounts receivable, current and non-current	$ 58,621	$ (53,397)	$ 5,224
Contract assets	$ 250	$ (250)	$ —
Contract liabilities:			
Deferred revenue	$ —	$ 600	$ 600

	Balance at Beginning of Period	Net Additions (Deductions)	Balance at End of Period
Six Months Ended June 30, 2018			
Receivables and contract assets:			
Accounts receivable, current and non-current	$ 5,850	$ (626)	$ 5,224
Contract assets	$ 350	$ (350)	$ —
Contract liabilities:			

Deferred revenue	$ —	$ 600	$ 600

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The change in the balance of accounts receivable during the three months ended June 30, 2018 is primarily attributable to the acceleration and collection of $100.0 million in license fees due from AveXis as a result of their acquisition by Novartis AG (Novartis). Of the $100.0 million received, $53.3 million was previously recorded as accounts receivable at the beginning of the period.

As of June 30, 2018, the Company had recorded deferred revenue of $0.6 million which represents consideration received from licensees for performance obligations that have not yet been satisfied by the Company. Unsatisfied performance obligations consist of options granted to licensees that provide material rights to the licensee to acquire future licenses from the Company. These performance obligations will be satisfied, and underlying revenue will be recognized, upon the exercise or expiration of the options.

During the three and six months ended June 30, 2018, the Company recognized license revenue of $39.9 million and $0.2 million, respectively, from licenses delivered to licensees in prior periods as a result of changes in the transaction prices of its license agreements. Changes in the transaction price were primarily attributable to development milestones achieved or deemed probable of achievement during the period that were previously not considered probable of achievement, as well as the acquisition of AveXis by Novartis as discussed below. Additionally, the Company recognized $6.9 million and $0.3 million of interest income from licensing during the three and six months ended June 30, 2018, respectively, from licenses delivered in prior periods which contained significant financing components.

As of June 30, 2018, the Company had not recognized any impairment losses on its receivables or contract assets from contracts with customers.

AveXis, Inc. March 2014 License and January 2018 Amendment

In March 2014, the Company entered into an exclusive license agreement (the March 2014 License) with AveXis. Under the license, the Company granted AveXis an exclusive, worldwide commercial license, with rights to sublicense, to the NAV AAV9 vector for the treatment of SMA in humans by in vivo gene therapy. In consideration for the license, AveXis paid the Company an up-front fee of $2.0 million, and is required to pay annual maintenance fees, development milestone payments of up to $12.3 million, mid-single to low double-digit royalties on net sales of licensed products, subject to reduction in specified circumstances, and a lower mid-double digit percentage of any sublicense fees AveXis receives from sublicensees for the licensed intellectual property rights.

In January 2018, the Company entered into an amendment (the January 2018 Amendment) to the March 2014 License with AveXis. Under the January 2018 Amendment, the licensed intellectual property was expanded to include, in addition to the NAV AAV9 vector previously licensed, any other recombinant AAV vector in the Company’s intellectual property portfolio during a period of 14 years from the effective date of the January 2018 Amendment, for the treatment of SMA in humans by in vivo gene therapy. The Company may also, in its sole discretion, provide specified collaborative services to AveXis as specified in the January 2018 Amendment.

The January 2018 Amendment also modified the terms and conditions of the March 2014 License relating to assignment. Under the amended assignment provision, AveXis is permitted to transfer the March 2014 License, as amended, without the Company’s consent in connection with a change of control of AveXis, subject to the transferee or successor agreeing in writing to be bound by the terms of the March 2014 License, as amended, and the payment to the Company of certain fees due upon such change of control, as described below. Under the original March 2014 License, any assignment by AveXis without the Company’s prior written consent had been prohibited.

Pursuant to the January 2018 Amendment, in consideration for the additional rights granted thereunder and in addition to any consideration owed under the original March 2014 License, AveXis paid to the Company a fee of $80.0 million upon entry into the January 2018 Amendment. In addition, AveXis was obligated to pay the Company (i) $30.0 million on the first anniversary of the effective date of the January 2018 Amendment, (ii) $30.0 million on the second anniversary of the effective date of the January 2018 Amendment and (iii) potential sales-based milestone payments of up to $120.0 million. In the event of a change of control of AveXis, to the extent that any fee described in (i) or (ii) above, or the first $40.0 million of sales-based milestone payments described in (iii) above, had not yet been paid to the Company, the January 2018 Amendment obliged AveXis to pay any such unpaid fee to the Company upon the change of control. For any product developed for the treatment of SMA using the NAV AAV9 vector, AveXis will continue to be obligated to pay to the Company mid-single to low double-digit royalties on net sales as defined in the March 2014 License, and for any product developed for the treatment of SMA using a licensed vector other than NAV AAV9, the Company will receive a low double-digit royalty on net sales.

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In May 2018, AveXis was acquired by Novartis, which qualified as a change of control of AveXis under the January 2018 Amendment. Pursuant to the January 2018 Amendment, AveXis paid the Company $100.0 million in accelerated license payments as a result of the change of control.

Accounting Analysis

The January 2018 Amendment was accounted for under Topic 606 as a modification of the license agreement resulting in a new and separate contract from the original March 2014 License for revenue recognition purposes. The only material performance obligation of the Company under the January 2018 Amendment is for the delivery of the modified license, which occurred upon the execution of the amendment in January 2018.

As of June 30, 2018, the transaction price of the original March 2014 License was $3.5 million. The transaction price of $3.5 million includes (i) the up-front payment in March 2014 of $2.0 million, (ii) the present value of aggregate annual maintenance fees payable to the Company over the term of the license and (iii) the development milestones that had been achieved to date. The discounted portion of the annual maintenance fees represents the financing benefit provided to AveXis and is recognized as interest income from licensing over the term of the license. Variable consideration under the original March 2014 License, which has been excluded from the transaction price, includes payments for remaining development milestones that have not yet been achieved and are not considered probable of achievement, as well as any potential sublicense fees or royalties on sales of licensed products, which will be recognized in the period of the underlying sales or sublicenses, if any.

Upon its execution, the transaction price of the January 2018 Amendment was $132.1 million, which was fully recognized as license revenue upon the delivery of the modified license in January 2018. In May 2018, as a result of the acquisition of AveXis by Novartis, the transaction price was increased by $40.0 million to account for the acceleration of the sale-based milestone which was previously excluded from the transaction price. The $40.0 million increase in the transaction price was recognized as license revenue upon the completion of the change of control in May 2018 since the amended license had been fully delivered to AveXis. Additionally, due to the acceleration of the two $30.0 million payments originally due in January 2019 and January 2020, the Company recognized $6.1 million of interest income from licensing upon the completion of the change of control of AveXis, which represents the remaining present value discount on such payments as of the date of the change of control of AveXis. The transaction price of $172.1 million as of June 30, 2018 includes the following fixed consideration: (i) the $80.0 million payment in January 2018, (ii) the present value, as of the date of the January 2018 Amendment, of the two $30.0 million payments originally due in January 2019 and January 2020 and (iii) the $40.0 million sales-based milestone which was accelerated upon the change of control in May 2018. Variable consideration under the January 2018 Amendment, which has been excluded from the transaction price, includes the remaining sales-based milestone payment of $80.0 million, as well as any potential sublicense fees or royalties on sales of licensed products, which will be recognized in the period of the underlying sales or sublicenses, if any.

During the three and six months ended June 30, 2018, the Company recognized license revenue of $40.0 million and $172.1 million, respectively, and interest income from licensing of $6.8 million and $8.0 million, respectively, from the March 2014 License, as amended, with AveXis, which includes the amounts from both the original March 2014 License and the January 2018 Amendment. As of June 30, 2018, the Company had recorded $0.2 million of accounts receivable from AveXis under the March 2014 License, as amended, of which less than $0.1 million are included in current assets and $0.2 million are included in non-current assets on the consolidated balance sheets.

During the three and six months ended June 30, 2017, the Company recognized license revenue of $0 and $0.1 million, respectively, from the March 2014 License which was recognized under the requirements of Topic 605. As of

December 31, 2017, the Company had no amounts receivable from AveXis related to the March 2014 License under the requirements of Topic 605.

AveXis, Inc. June 2017 License

In June 2017, the Company entered into an exclusive license agreement (the June 2017 License) with AveXis. Under the license, the Company granted AveXis an exclusive, worldwide commercial license, with rights to sublicense, to the NAV AAV9 vector for the treatment of Rett Syndrome and amyotrophic lateral sclerosis (ALS) caused by mutations in the gene that produces the copper zinc superoxide dismutase 1 (SOD1) in humans by in vivo gene therapy. In consideration for the license, AveXis paid the Company an up-front fee of $6.0 million, and is required to pay annual maintenance fees, development milestone payments of up to $36.0 million, a low double-digit royalty percentage on net sales of licensed products, subject to reduction in specified circumstances, and a lower mid-double digit percentage of any sublicense fees AveXis receives from sublicensees for the licensed intellectual property rights.

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During the three and six months ended June 30, 2018, the Company recognized license revenue of $0 and interest income from licensing of less than $0.1 million, from the June 2017 License with AveXis. As of June 30, 2018, the Company had recorded $0.7 million of accounts receivable from AveXis under the June 2017 License, of which $0.1 million are included in current assets and $0.6 million are included in non-current assets on the consolidated balance sheets.

During the three and six months ended June 30, 2017, the Company recognized license revenue of $6.0 million from the June 2017 License which was recognized under the requirements of Topic 605. As of December 31, 2017, the Company had no amounts receivable from AveXis related to the June 2017 License under the requirements of Topic 605.

8. Stock-based Compensation

In January 2018, an additional 1,251,810 shares became available for issuance under the 2015 Equity Incentive Plan (the 2015 Plan). As of June 30, 2018, the total number of shares of common stock authorized for issuance under the 2015 Plan and 2014 Stock Plan (the 2014 Plan) was 9,488,413, of which 2,236,302 remain available for future grants under the 2015 Plan.

Stock-based Compensation Expense

The Company’s stock-based compensation expense by award type is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Stock options	$3,818	$2,332	$6,939	$4,771
Restricted stock units	69	69	136	138
Employee stock purchase plan	95	82	197	165
	$3,982	$2,483	$7,272	$5,074

As of June 30, 2018, the Company had $39.7 million of unrecognized stock-based compensation expense related to stock options, restricted stock units and the 2015 Employee Stock Purchase Plan (the 2015 ESPP), which is expected to be recognized over a weighted-average period of 2.7 years.

The Company has recorded aggregate stock-based compensation expense in the consolidated statements of operations and comprehensive income (loss) as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Research and development	$1,895	$1,137	$3,424	$2,374
General and administrative	2,087	1,346	3,848	2,700
	$3,982	$2,483	$7,272	$5,074

Stock Options

The following table summarizes stock option activity under the 2014 Plan and 2015 Plan (in thousands, except per share data):

	Shares	Weighted-average Exercise Price	Weighted-average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (a)
Outstanding at December 31, 2017	5,468	$ 10.25	7.9	$125,738
Granted	1,137	$ 34.39		
Exercised	(961)	$ 7.32		
Cancelled or forfeited	(199)	$ 15.88		
Outstanding at June 30, 2018	5,445	$ 15.61	7.9	$305,721
Exercisable at June 30, 2018	2,748	$ 7.88	7.1	$175,499
Vested and expected to vest at June 30, 2018	5,424	$ 15.66	7.9	$304,215

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(a) The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying options and the fair value of the common stock for the options that were in the money at the dates reported.

The weighted-average grant date fair value per share of options granted during the six months ended June 30, 2018 was $22.88. During the six months ended June 30, 2018, the total number of stock options exercised was 960,838, resulting in total proceeds of $7.0 million. The total intrinsic value of options exercised during the six months ended June 30, 2018 was $28.1 million.

Restricted Stock Units

The following table summarizes restricted stock unit activity under the 2015 Plan (in thousands, except per share data):

	Shares	Weighted-average Grant Date Fair Value
Unvested balance at December 31, 2017	40	$ 20.90
Granted	—	$ —
Vested	—	$ —
Forfeited	—	$ —
Unvested balance at June 30, 2018	40	$ 20.90

Employee Stock Purchase Plan

As of June 30, 2018, the total number of shares of common stock authorized for issuance under the 2015 ESPP was 254,000, of which 186,752 remain available for future issuance. During the six months ended June 30, 2018, 19,528 shares of common stock were issued under the 2015 ESPP.

9. Income Taxes

The TCJA was signed into law in December 2017, and has resulted in significant changes to the U.S. corporate income tax system. In December 2017, the SEC staff issued Staff Accounting Bulletin No. 118 (SAB 118), which allows the Company to record provisional amounts for the effects of the TCJA in the period it was enacted for a measurement period not extend beyond one year from the enactment date. In accordance with SAB 118, the Company has determined that the impact of the TCJA to its deferred tax assets and liabilities and valuation allowance as of June 30, 2018 and December 31, 2017 is an estimate and provisional amount. The final impact of the TCJA may differ from this provisional amount due to changes in the Company’s estimates and the issuance of additional regulatory or

other guidance. The Company expects to complete its assessment of the final impact of the TCJA within the required measurement period under SAB 118.

The Company's effective tax rate for the three and six months ended June 30, 2018 differed from the U.S. federal statutory rate of 21%, primarily due to tax credits generated, tax windfall benefits from share-based payments and the expected utilization of U.S. federal net operating loss (NOL) carryforwards. These benefits were partially offset by state taxes and non-deductible expenses.

The Company's net deferred tax assets decreased during the six months ended June 30, 2018, primarily as a result of the expected utilization of U.S. federal and state NOL carryforwards. The decrease in deferred tax assets was offset by a corresponding decrease in the Company's valuation allowance resulting in no impact on the Company's tax provision for the period.

The Company has evaluated the positive and negative evidence bearing upon the realizability of its deferred tax assets. Based on the Company's history of operating losses, the Company has concluded that it is more likely than not that the benefit of its deferred tax assets will not be realized. Accordingly, the Company has provided a full valuation allowance for its net deferred tax assets as of June 30, 2018 and December 31, 2017.

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10. Related Party Transactions

FOXKISER LLP

Effective January 2017, the Company entered into a Professional Services Agreement with FOXKISER LLP (FOXKISER), an affiliate of certain stockholders of the Company and an affiliate of a member of the Company's Board of Directors, pursuant to which the Company pays a fixed monthly fee in consideration for certain strategic planning, development and regulatory services provided by FOXKISER. The agreement expired in December 2017, and effective January 2018 the Company entered into a new Professional Services Agreement with FOXKISER, which has a term of one year and is terminable by either party, at any time, upon 60 days' prior written notice to the other party. Costs incurred under the agreements with FOXKISER for the three and six months ended June 30, 2018 were $0.5 million and $1.1 million, respectively. Costs incurred under the agreements with FOXKISER for the three and six months ended June 30, 2017 were $0.4 million and $0.8 million, respectively. Costs incurred under the agreements with FOXKISER are recorded as research and development expenses in the consolidated statements of operations and comprehensive income (loss).

Scientific Founder and Special Advisor

In September 2014, the Company entered into an advisory agreement, as amended, with James M. Wilson, M.D., Ph.D., who was formerly the Company's Chief Scientific Advisor, and is currently the Chairman of the Company's Scientific Advisory Board and Special Advisor. The agreement required a fixed monthly payment in consideration for scientific advisory services and expired in March 2017, after which the Company no longer deemed Dr. Wilson to be a related party. During the three months ended March 31, 2017, the Company incurred advisory fees of $0.1 million under the agreement, which are recorded as research and development expenses in the consolidated statements of operations and comprehensive income (loss). Pursuant to a new advisory agreement entered into in March 2017 and which expires on December 31, 2018, Dr. Wilson may provide services at no cost to the Company.

11. Net Income (Loss) Per Share

The computations of basic and diluted net income (loss) per share are as follows (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Basic net income (loss) per share:				
Net income (loss) applicable to common stockholders	$10,594	$(14,473)	$114,833	$(36,466)
Shares used in computation:				
Weighted-average common shares outstanding	32,082	30,662		