

bluebird bio, Inc.
Form 10-Q
November 01, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2017

OR

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

For the transition period from _____ to _____

Commission File Number: 001-35966

bluebird bio, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware 13-3680878
(State or Other Jurisdiction of (IRS Employer
Incorporation or Organization) Identification No.)

60 Binney Street

02142

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Cambridge, Massachusetts
(Address of Principal Executive Offices) (Zip Code)

(339) 499-9300

(Registrant's Telephone Number, Including Area Code)

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, or a smaller reporting 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. (Check one):

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 October 27, 2017, there were 45,830,942 shares of the registrant's Common Stock, par value \$0.01 per share, outstanding.

This Quarterly Report on Form 10-Q contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. We make such forward-looking statements pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q are forward-looking statements. In some cases, you can identify forward-looking statements by words such as “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “target,” “would,” or the negative of these words or other comparable terminology. These forward-looking statements include, but are not limited to, statements about:

- the initiation, timing, progress and results of our preclinical and clinical studies, and our research and development programs;
- our ability to advance product candidates into, and successfully complete, clinical studies;
- our ability to advance our viral vector and drug product manufacturing capabilities;
- the timing or likelihood of regulatory filings and approvals for our product candidates;
- the timing or success of commercialization of our product candidates, if approved;
- the pricing and reimbursement of our product candidates, if approved;
- the implementation of our business model, strategic plans for our business, product candidates and technology;
- the scope of protection we are able to establish and maintain for intellectual property rights covering our product candidates and technology;
- estimates of our expenses, future revenues, capital requirements and our needs for additional financing;
- the potential benefits of strategic collaboration agreements and our ability to enter into strategic arrangements;
- our ability to maintain and establish collaborations and licenses;
- developments relating to our competitors and our industry; and
 - other risks and uncertainties, including those listed under Part II, Item 1A. Risk Factors.

Any forward-looking statements in this Quarterly Report on Form 10-Q reflect our current views with respect to future events or to our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under Part II, Item 1A. Risk Factors and elsewhere in this Quarterly Report on Form 10-Q. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future.

This Quarterly Report on Form 10-Q also contains estimates, projections and other information concerning our industry, our business, and the markets for certain diseases, including data regarding the estimated size of those markets, and the incidence and prevalence of certain medical conditions. Information that is based on estimates, forecasts, projections, market research or similar methodologies is inherently subject to uncertainties and actual events or circumstances may differ materially from events and circumstances reflected in this information. Unless otherwise expressly stated, we obtained this industry, business, market and other data from reports, research surveys, studies and similar data prepared by market research firms and other third parties, industry, medical and general publications, government data and similar sources.

bluebird bio, Inc.

Form 10-Q

For the Three and Nine Months Ended September 30, 2017

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

bluebird bio, Inc.

Condensed Consolidated Balance Sheets

(unaudited)

(in thousands, except par value amounts)

	As of September 30, 2017	As of December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 237,962	\$ 278,887
Marketable securities	490,812	425,491
Tenant improvements receivable	2,712	8,542
Prepaid expenses	13,893	8,209
Other current assets and receivables	13,328	3,085
Total current assets	758,707	724,214
Marketable securities	413,856	180,452
Property and equipment, net	182,358	156,955
Intangible assets, net	17,872	20,694
Goodwill	13,128	13,128
Restricted cash and other non-current assets	19,835	22,679
Total assets	\$ 1,405,756	\$ 1,118,122
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 12,309	\$ 13,664
Accrued expenses and other current liabilities	42,595	54,660
Deferred revenue, current portion	21,897	6,209
Total current liabilities	76,801	74,533
Deferred rent, net of current portion	2,761	10,408
Deferred revenue, net of current portion	27,600	40,204
Contingent consideration, net of current portion	2,961	3,277
Financing lease obligation, net of current portion	154,240	120,140
Other non-current liabilities	75	120
Total liabilities	264,438	248,682
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock, \$0.01 par value, 5,000 shares authorized; 0 shares issued and outstanding	—	—

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at September 30, 2017 and December 31, 2016

Common stock, \$0.01 par value, 125,000 shares authorized; 45,785 and 40,691 shares

issued and outstanding at September 30, 2017 and December 31, 2016, respectively	458	407
Additional paid-in capital	1,939,537	1,447,856
Accumulated other comprehensive loss	(2,097)	(1,149)
Accumulated deficit	(796,580)	(577,674)
Total stockholders' equity	1,141,318	869,440
Total liabilities and stockholders' equity	\$ 1,405,756	\$ 1,118,122

See accompanying notes to unaudited condensed consolidated financial statements.

bluebird bio, Inc.

Condensed Consolidated Statements of Operations and Comprehensive Loss

(unaudited)

(in thousands, except per share data)

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Revenues:				
License revenue	\$2,500	\$—	\$13,070	\$—
Collaboration revenue	5,211	1,552	18,189	4,603
Total revenues	7,711	1,552	31,259	4,603
Operating expenses:				
Research and development	61,545	63,971	180,464	147,642
General and administrative	22,982	14,623	64,463	48,941
Cost of license revenue	1,100	—	1,520	—
Change in fair value of contingent consideration	(258)	1,098	205	3,515
Total operating expenses	85,369	79,692	246,652	200,098
Loss from operations	(77,658)	(78,140)	(215,393)	(195,495)
Interest (expense) income, net	(1,155)	937	(1,842)	2,871
Other (expense) income, net	8	—	(1,180)	(68)
Loss before income taxes	(78,805)	(77,203)	(218,415)	(192,692)
Income tax benefit	—	178	—	549
Net loss	\$(78,805)	\$(77,025)	\$(218,415)	\$(192,143)
Net loss per share - basic and diluted:	\$(1.73)	\$(2.07)	\$(5.14)	\$(5.19)
Weighted-average number of common shares used				
in computing net loss per share - basic and diluted:	45,648	37,201	42,524	37,026
Other comprehensive (loss) income:				
Unrealized (loss) gain on available-for-sale securities, net of tax (benefit) expense of \$0.0 million for the three and nine months ended September 30, 2017 and \$(0.1) and \$0.8 million for the three and nine months ended September 30, 2016, respectively	(683)	(194)	(949)	1,455
Comprehensive loss	\$(79,488)	\$(77,219)	\$(219,364)	\$(190,688)

See accompanying notes to unaudited condensed consolidated financial statements.

bluebird bio, Inc.

Condensed Consolidated Statements of Cash Flows

(unaudited)

(in thousands)

	For the Nine Months Ended	
	September 30, 2017	2016
Operating activities		
Net loss	\$(218,415)	\$(192,143)
Adjustments to reconcile net loss to net cash used in operating activities:		
Change in fair value of contingent consideration	(1,460)	2,099
Depreciation and amortization	9,899	7,132
Stock-based compensation expense	38,953	30,831
Other non-cash items	2,545	2,166
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(12,865)	(3,857)
Accounts payable	(447)	1,210
Accrued expenses and other liabilities	(6,943)	24,099
Deferred revenue	3,084	6,117
Deferred rent	475	1,805
Net cash used in operating activities	(185,174)	(120,541)
Investing activities		
Purchase of property and equipment	(43,408)	(15,005)
Purchases of marketable securities	(621,004)	(145,135)
Proceeds from maturities of marketable securities	320,190	356,684
Proceeds from sales of marketable securities	—	7,500
Release of restricted cash	628	—
Increase in restricted cash	—	(4,379)
Net cash (used in) provided by investing activities	(343,594)	199,665
Financing activities		
Proceeds from public offering of common stock, net of issuance costs	436,805	—
Cash paid for contingent purchase price consideration	(1,074)	(2,025)
Reimbursement of tenant improvements for financing lease obligation	38,021	—
Payments on financing lease obligation	(315)	—
Proceeds from issuance of common stock	14,406	3,786
Net cash provided by financing activities	487,843	1,761
Increase (decrease) in cash and cash equivalents	(40,925)	80,885
Cash and cash equivalents at beginning of period	278,887	164,269
Cash and cash equivalents at end of period	\$237,962	\$245,154
Non-cash investing and financing activities:		
Assets acquired under financing lease obligation	\$2,467	\$—

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Tenant improvements under financing lease included in tenant improvements receivable	\$2,013	\$—
Purchases of property and equipment included in accounts payable and accrued expenses	\$1,740	\$2,479
Construction financing lease obligation	\$—	\$38,090
Stock option exercise proceeds receivable	\$845	\$374

See accompanying notes to unaudited condensed consolidated financial statements.

bluebird bio, Inc.

Notes to Condensed Consolidated Financial Statements

(unaudited)

1. Description of the business

bluebird bio, Inc. (the “Company” or “bluebird”) was incorporated in Delaware on April 16, 1992, and is headquartered in Cambridge, Massachusetts. The Company researches, develops, manufactures and plans to commercialize gene therapies for the treatment of severe genetic diseases and cancer. Since its inception, the Company has devoted substantially all of its resources to its research and development efforts relating to its product candidates, including activities to manufacture product candidates, conduct clinical studies of its product candidates, perform preclinical research to identify new product candidates and provide general and administrative support for these operations.

2. Summary of significant accounting policies and basis of presentation

Basis of presentation and principles of consolidation

The accompanying condensed consolidated financial statements are unaudited and have been prepared by the Company in accordance with accounting principles generally accepted in the United States (“GAAP”) as found in the Accounting Standards Codification (“ASC”) and Accounting Standards Update (“ASU”) of the Financial Accounting Standards Board (“FASB”). Certain information and footnote disclosures normally included in the Company’s annual financial statements have been condensed or omitted. These interim condensed consolidated financial statements, in the opinion of management, reflect all normal recurring adjustments necessary for a fair presentation of the Company’s financial position and results of operations for the interim periods ended September 30, 2017 and 2016.

The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full year. These interim financial statements should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2016, and the notes thereto, which are included in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on February 22, 2017.

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: Precision Genome Engineering, Inc. (“Pregen”), bluebird bio France – SARL, bluebird bio Australia Pty Ltd., bluebird bio (UK) Ltd., bluebird bio (Bermuda) Ltd., bluebird bio Securities Corporation, bluebird bio (Switzerland) GmbH, bluebird bio (Italy) S.r.l, and bluebird bio (Germany) GmbH. All intercompany balances and transactions have been eliminated in consolidation. Any reference in these notes to applicable guidance is meant to refer to GAAP. The Company views its operations and manages its business in one operating segment. All material long-lived assets of the Company reside in the United States.

Certain aggregations of prior period amounts have been made to conform to current year presentation. In the prior year balance sheet, tenant improvements receivable, prepaid expenses and restricted cash and other current assets are included within prepaid expenses and other current assets. In the prior year statements of operations and comprehensive loss, interest and other (expense) income were aggregated. In the current period statements of

operations and comprehensive loss, interest (expense) income and other (expense) income are disclosed separately. Additionally, in the prior quarter statement of operation and comprehensive loss, cost of license revenue is included within research and development expenses. In the current period statements of operations and comprehensive loss, cost of license revenue is disclosed separately.

Summary of accounting policies

The significant accounting policies and estimates used in the preparation of the condensed consolidated financial statements are described in the Company's audited financial statements as of and for the year ended December 31, 2016, and the notes thereto, which are included in the Company's Annual Report on Form 10-K. There have been no material changes in the Company's significant accounting policies during the nine months ended September 30, 2017.

Net loss per share

Basic net loss per share is calculated by dividing net loss attributable to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted net income per share is calculated by dividing the net income attributable to common stockholders by the weighted-average number of common stock equivalent shares outstanding for the period, including any dilutive effect from outstanding stock options, unvested restricted stock units, and employee stock purchase plan shares using the treasury stock method.

Property and equipment

Property and equipment is stated at cost. Maintenance and repairs that do not improve or extend the lives of the respective assets are expensed to operations as incurred. Upon disposal, the related cost and accumulated depreciation is removed from the accounts and any resulting gain or loss is included in the results of operations. Depreciation and amortization is calculated using the straight-line method over the estimated useful lives of the assets, which are as follows:

Asset	Estimated useful life
Building	40 years
Computer equipment and software	3 years
Office and laboratory equipment	2-5 years
Leasehold improvements	Shorter of the useful life or remaining lease term

Leases

In September 2015, the Company entered into a lease agreement for additional office and laboratory space located at 60 Binney Street, Cambridge, Massachusetts, which was built between 2015 and March 2017, at which time 60 Binney Street became the Company's corporate headquarters. This lease expires in 2027, subject to the Company's right to extend the lease for an additional 10 years. Because the Company was involved in the construction project, it was deemed for accounting purposes to be the owner of the building during the construction period. Accordingly, the Company recorded project construction costs incurred by the landlord as an asset in "Property and equipment, net" and a related financing obligation in "Accrued expenses and other current liabilities" and "Financing lease obligation, net of current portion" on its condensed consolidated balance sheets.

Upon completion of the construction of the building in the first quarter of 2017, the Company evaluated the lease and determined that it did not meet the criteria for "sale-leaseback" treatment. Accordingly, the Company is depreciating the building and incurring interest expense in its condensed consolidated statement of operations and comprehensive loss related to the financing obligation recorded on its condensed consolidated balance sheet. The Company bifurcates its lease payments pursuant to the lease into (i) a portion that is allocated to the financing obligation related to the building and (ii) a portion that is allocated to the land on which the building was constructed. The portion of the lease obligation allocated to the land is treated for accounting purposes as an operating lease that commenced in September 2015 and is recorded on a straight-line basis over the initial lease term. See Note 7, "Commitments and contingencies," for additional information.

Stock-based compensation

The Company accounts for its stock-based compensation awards in accordance with FASB ASC Topic 718, Compensation—Stock Compensation ("ASC 718"). ASC 718 requires all stock-based payments to employees, including grants of employee stock options and restricted stock units and modifications to existing stock options, to be recognized in the consolidated statements of operations and comprehensive income (loss) based on their fair values. The Company uses the Black-Scholes option pricing model to determine the fair value of options granted.

The Company's stock-based awards are subject to either service or performance-based vesting conditions. Compensation expense related to awards to employees and directors with service-based vesting conditions is recognized on a straight-line basis based on the grant date fair value over the associated service period of the award, which is generally the vesting term. Compensation expense related to awards to non-employees with service-based vesting conditions is recognized based on the then-current fair value at each financial reporting date prior to the

measurement date over the associated service period of the award, which is generally the vesting term, using the accelerated attribution method. Compensation expense related to awards to employees with performance-based vesting conditions is recognized based on the grant date fair value over the requisite service period using the accelerated attribution method to the extent achievement of the performance condition is probable or has been achieved. Compensation expense related to awards to non-employees with performance-based vesting conditions is recognized based on the then-current fair value at each financial reporting date prior to the measurement date over the requisite service period using the accelerated attribution method to the extent achievement of the performance condition is probable.

The Company expenses restricted stock unit awards to employees based on the fair value of the award on a straight-line basis over the associated service period of the award. Awards of restricted stock units to non-employees are adjusted through stock-based compensation expense at each reporting period end to reflect the current fair value of such awards and expensed using an accelerated attribution model.

The Company estimates the fair value of its option awards to employees and directors using the Black-Scholes option pricing model, which requires the input of subjective assumptions, including (i) the expected stock price volatility, (ii) the calculation of

expected term of the award, (iii) the risk-free interest rate, and (iv) expected dividends. Due to the lack of company specific historical and implied volatility data of its common stock, the Company uses a weighted-average of expected volatility based on the estimated expected volatilities of a representative group of publicly traded companies; this representative group includes the Company's data effective January 2017. The other public companies on which the Company has based its expected stock price volatility are companies with comparable characteristics, including enterprise value, risk profiles, position within the industry, and with historical share price information sufficient to meet the expected term of the stock-based awards. The Company computes historical volatility data using the daily closing prices for the selected companies' shares during the equivalent period of the calculated expected term of the stock-based awards. The Company has estimated the expected term of its employee stock options using the "simplified" method, whereby the expected term equals the arithmetic average of the vesting term and the original contractual term of the option due to its lack of sufficient historical data. The risk-free interest rates for periods within the expected term of the option are based on the U.S. Treasury securities with a maturity date commensurate with the expected term of the associated award. The Company has never paid, and does not expect to pay, dividends in the foreseeable future.

As a result of the adoption of ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, effective January 1, 2017, the Company accounts for forfeitures as they occur instead of estimating forfeitures at the time of grant and revising those estimates in subsequent periods if actual forfeitures differ from its estimates. Stock-based compensation expense recognized in the financial statements is based on awards for which performance or service conditions are expected to be satisfied.

Consistent with the guidance in FASB ASC Topic 505-50, Equity-Based Payments to Non-Employees, the fair value of each non-employee stock option is estimated at the date of grant using the Black-Scholes option pricing model with assumptions generally consistent with those used for employee stock options, with the exception of expected term, which is over the contractual life.

Cost of license revenue

Cost of license revenue represents expense associated with amounts owed to third party licensors as a result of revenue recognized under the Company's out-license arrangements with Novartis Pharma AG ("Novartis") and GlaxoSmithKline Intellectual Property Development Limited ("GSK").

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 materially differ 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 financial statements. Management must apply significant judgment in this process. In addition, other factors may affect estimates, including: expected business and operational 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 financial statements. Estimates are used in the following areas, among others: subsequent fair value estimates used to assess potential impairment of long-lived assets, including goodwill and intangible assets, financing lease obligation, contingent consideration, stock-based compensation expense, accrued expenses, revenue and income taxes.

Recent accounting pronouncements

Recently adopted

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, which simplifies share-based payment accounting through a variety of amendments. The amendments are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Company adopted this standard effective January 1, 2017. The adoption of this standard impacted the income tax footnote disclosure and did not have a material impact on the Company's condensed consolidated financial statements. Upon adoption of the new standard, all excess tax benefits and tax deficiencies (including tax benefits of dividends on share-based payment awards) are recognized as income tax expense or benefit in the income statement. The tax effects of exercised or vested awards are treated as discrete items in the reporting period in which they occur. The Company also recognizes excess tax benefits regardless of whether the benefit reduces taxes payable in the current period. The Company has applied the modified retrospective adoption approach beginning in 2017 and prior periods have not been adjusted. As a result, the Company established a net operating loss deferred tax asset of \$76.7 million to account for prior period excess tax benefits through retained earnings, however an offsetting valuation allowance of \$76.7 million will also be established through retained earnings because it is not more likely than not that the deferred tax asset will be realized due to historical and expected future losses,

such that there is no impact on the Company's condensed consolidated financial statements. The Company also elected to account for forfeitures as they occur, and recorded a cumulative catch up of \$0.5 million within additional paid-in capital and retained earnings upon adoption in the first quarter of 2017.

Not yet adopted

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers ("Topic 606"), which supersedes all existing revenue recognition requirements, including most industry-specific guidance. The new standard requires a company to recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration that the company expects to receive for those goods or services. The new standard will be effective on January 1, 2018 and earlier application is permitted only for annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. Topic 606 allows for either a full retrospective adoption, in which the standard is applied to all of the periods presented, or a modified retrospective approach, in which the standard is applied to the most current period presented in the financial statements. The Company expects to adopt this standard using the modified retrospective approach. The revenue generated in the nine months ended September 30, 2017 relates to the Company's collaboration arrangement with Celgene Corporation ("Celgene") and the Company's out-licensing arrangements. The Company is continuing to assess the potential impact that Topic 606 may have on its financial position and results of operations as it relates to the Celgene arrangement. The Company expects that certain of its accounting conclusions will require further judgment, including, but not limited to, the evaluation of variable consideration, and in particular, milestone payments due from Celgene as the inclusion of milestone payments in the transaction price could accelerate revenue recognized under ASC 606 compared to ASC 605. The Company has substantially completed its assessment of the ASC 606 impact on its two out-licensing arrangements and does not expect the adoption of ASC 606 to have a material impact on its financial position and results of operations when applied to its out-licensing arrangements.

In February 2016, the FASB issued ASU 2016-02, Leases, ("ASU 2016-02"), which requires a lessee to recognize assets and liabilities on the balance sheet for operating leases and changes many key definitions, including the definition of a lease. The new standard includes a short-term lease exception for leases with a term of 12 months or less, as part of which a lessee can make an accounting policy election not to recognize lease assets and lease liabilities. Lessees will continue to differentiate between finance leases (previously referred to as capital leases) and operating leases using classification criteria that are substantially similar to the previous guidance. The new standard will be effective beginning January 1, 2019 and early adoption is permitted for public entities. The Company is currently evaluating the potential impact ASU 2016-02 may have on its financial position and results of operations.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments ("Topic 230"). The new standard clarifies certain aspects of the statement of cash flows, including the classification of contingent consideration payments made after a business combination and several other clarifications not currently applicable to the Company. The new standard also clarifies that an entity should determine each separately identifiable source or use within the cash receipts and cash payments on the basis of the nature of the underlying cash flows. In situations in which cash receipts and payments have aspects of more than one class of cash flows and cannot be separated by source or use, the appropriate classification should depend on the activity that is likely to be the predominant source or use of cash flows for the item. The new standard will be effective for the Company on January 1, 2018 and early adoption is permitted. The adoption of this standard is not expected to have a material impact on the Company's condensed consolidated statements of cash flows upon adoption.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows: Restricted Cash ("ASU 2016-18"). The amendments in this update require that amounts generally described as restricted cash and restricted cash equivalents

be included within cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 will be effective January 1, 2018 and early adoption is permitted. As of September 30, 2017, the Company has not elected to early adopt this guidance, but expects the adoption to have an impact on its consolidated statement of cash flows as, upon adoption, it will include the Company's restricted cash balance in the cash and cash equivalents reconciliation of operating, investing and financing activities.

In January 2017, the FASB issued ASU 2017-04, Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. To address concerns over the cost and complexity of the two-step goodwill impairment test, the amendments in this ASU remove the second step of the test. An entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The new guidance does not amend the optional qualitative assessment of goodwill impairment. The new standard will be effective beginning January 1, 2020 and early adoption is permitted with measurement dates on or after January 1, 2017. The adoption of this standard is not expected to have a material impact on the Company's financial position or results of operations upon adoption.

In April 2017, the FASB issued ASU 2017-08, Receivables – Nonrefundable Fees and Other Costs (“Subtopic 310-20”). The new standard amends the 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. Subtopic 310-20 calls for a modified retrospective application under which a cumulative-effect adjustment will be made to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. The new standard will be effective beginning January 1, 2019 and early adoption is permitted for public entities. The adoption of this standard is not expected to have a material impact on the Company’s financial position or results of operations upon adoption.

In May 2017, the FASB issued ASU 2017-09, Compensation – Stock Compensation (Topic 718): Scope Modification Accounting. The new standard is intended to reduce the diversity in practice and cost and complexity when applying the guidance in Topic 718 to a change to the terms or conditions of a share-based payment award. The new standard will be effective beginning January 1, 2019. The adoption of this standard is not expected to have a material impact on the Company’s financial position or results of operations upon adoption.

3. Marketable securities

The following table summarizes the available-for-sale securities held at September 30, 2017 and December 31, 2016 (in thousands):

	Amortized	Unrealized	Unrealized	Fair
Description	Cost	Gains	Losses	Value
September 30, 2017				