

REPLIGEN CORP
Form 10-Q
February 04, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended December 31, 2009

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 000-14656

REPLIGEN CORPORATION

(exact name of registrant as specified in its charter)

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| | |
|--|--|
| Delaware (State or other jurisdiction of incorporation or organization) | 04-2729386 (I.R.S. Employer Identification No.) |
| 41 Seyon Street, Bldg. 1, Suite 100 | |
| Waltham, MA (Address of principal executive offices) | 02453 (Zip Code) |
| Registrant's telephone number, including area code: (781) 250-0111 | |

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 website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

| | |
|--|---|
| Large accelerated filer <input type="checkbox"/> | Accelerated filer <input checked="" type="checkbox"/> |
| Non-accelerated filer <input type="checkbox"/> (do not check if smaller reporting company) | Smaller reporting company <input type="checkbox"/> |

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of January 26, 2010.

| Class | Number of Shares |
|---|------------------|
| Common Stock, par value \$.01 per share | 30,761,807 |

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| | December 31, 2009 | March 31, 2009 |
|--|----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 5,318,900 | \$ 5,041,410 |
| Marketable securities | 43,259,626 | 43,817,915 |
| Accounts receivable, less reserve for doubtful accounts of \$10,000 | 264,807 | 540,779 |
| Royalties receivable | 2,755,100 | 2,036,800 |
| Inventories | 2,103,471 | 2,413,227 |
| Prepaid expenses and other current assets | 1,620,066 | 933,585 |
| Total current assets | 55,321,970 | 54,783,716 |
| Property, plant and equipment, at cost: | | |
| Leasehold improvements | 3,855,616 | 3,845,247 |
| Equipment | 3,890,500 | 3,527,469 |
| Furniture and fixtures | 580,938 | 513,501 |
| | 8,327,054 | 7,886,217 |
| Less: Accumulated depreciation | (5,209,249) | (4,216,430) |
| | 3,117,805 | 3,669,787 |
| Long-term marketable securities | 12,867,734 | 15,101,239 |
| Restricted cash | 200,000 | 200,000 |
| Total assets | \$ 71,507,509 | \$ 73,754,742 |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 826,789 | \$ 1,922,572 |
| Accrued liabilities | 3,110,652 | 2,626,341 |
| Total current liabilities | 3,937,441 | 4,548,913 |
| Long-term liabilities | 54,951 | 82,398 |
| Total liabilities | 3,992,392 | 4,631,311 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock, \$.01 par value, 5,000,000 shares authorized, no shares issued or outstanding | | |
| Common stock, \$.01 par value, 40,000,000 shares authorized, issued and outstanding 30,761,807 shares at December 31, 2009 and 30,741,707 shares at March 31, 2009 | 307,618 | 307,417 |
| Additional paid-in capital | 183,499,382 | 182,673,275 |
| Accumulated deficit | (116,291,883) | (113,857,261) |
| Total stockholders' equity | 67,515,117 | 69,123,431 |

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| | | |
|--|---------------|---------------|
| Total liabilities and stockholders' equity | \$ 71,507,509 | \$ 73,754,742 |
|--|---------------|---------------|

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

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REPLIGEN CORPORATION
STATEMENTS OF OPERATIONS

(Unaudited)

| | Three months ended December 31, | | Nine months ended December 31, | |
|---|------------------------------------|------------------|-----------------------------------|---------------------|
| | 2009 | 2008 | 2009 | 2008 |
| Revenue: | | | | |
| Product revenue | \$ 2,865,377 | \$ 3,293,615 | \$ 8,079,546 | \$ 11,971,261 |
| Royalty and other revenue | 2,751,971 | 2,723,983 | 8,019,250 | 12,796,505 |
| Total revenue | 5,617,348 | 6,017,598 | 16,098,796 | 24,767,766 |
| Operating expenses: (1) | | | | |
| Cost of product revenue | 1,084,793 | 1,286,658 | 3,273,731 | 4,343,703 |
| Cost of royalty and other revenue | 343,031 | 285,941 | 1,001,833 | 821,552 |
| Research and development | 3,845,526 | 3,579,229 | 10,707,371 | 8,126,774 |
| Selling, general and administrative | 1,713,750 | 1,403,881 | 5,119,726 | 4,380,219 |
| Total operating expenses | 6,987,100 | 6,555,709 | 20,102,661 | 17,672,248 |
| (Loss) income from operations | (1,369,752) | (538,111) | (4,003,865) | 7,095,518 |
| Investment income | 186,668 | 473,069 | 736,450 | 1,520,890 |
| Interest expense | (620) | (1,266) | (1,972) | (2,287) |
| (Loss) income before taxes | (1,183,704) | (66,308) | (3,269,387) | 8,614,121 |
| Income tax (benefit) provision | (834,766) | (84,690) | (834,766) | 174,855 |
| Net (loss) income | \$ (348,938) | \$ 18,382 | \$ (2,434,621) | \$ 8,439,266 |
| Earnings per share: | | | | |
| Basic | \$ (0.01) | \$ | \$ (0.08) | \$ 0.27 |
| Diluted | \$ (0.01) | \$ | \$ (0.08) | \$ 0.27 |
| Weighted average shares outstanding: | | | | |
| Basic | 30,758,559 | 30,809,445 | 30,748,845 | 31,043,093 |
| Diluted | 30,758,559 | 31,024,685 | 30,748,845 | 31,395,551 |

(1) Includes non-cash stock-based compensation as follows:

| | | | | |
|-------------------------------------|----------|-----------|-----------|-----------|
| Cost of product revenue | \$ 8,357 | \$ 13,550 | \$ 32,462 | \$ 35,860 |
| Research and development | 61,496 | 48,837 | 159,307 | 125,803 |
| Selling, general and administrative | 230,751 | 163,406 | 580,547 | 422,966 |

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

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REPLIGEN CORPORATION
STATEMENTS OF CASH FLOWS

(Unaudited)

| | Nine months ended December 31, | |
|--|-----------------------------------|----------------------|
| | 2009 | 2008 |
| Cash flows from operating activities: | | |
| Net (loss) income | \$ (2,434,621) | \$ 8,439,266 |
| Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 992,819 | 782,566 |
| Stock-based compensation expense | 772,316 | 578,582 |
| Loss on disposal of assets | | 890 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 275,972 | (640,697) |
| Royalties receivable | (718,300) | (2,114,000) |
| Inventories | 309,756 | 282,335 |
| Prepaid expenses and other current assets | (686,481) | (74,074) |
| Accounts payable | (1,095,783) | (1,068,238) |
| Accrued liabilities | 526,716 | 271,617 |
| Long-term liabilities | (27,447) | (56,085) |
| Net cash (used in) provided by operating activities | (2,085,053) | 6,402,162 |
| Cash flows from investing activities: | | |
| Purchases of marketable securities | (44,115,013) | (51,652,536) |
| Redemptions of marketable securities | 46,906,807 | 30,157,826 |
| Purchases of property, plant and equipment | (440,837) | (753,558) |
| Net cash provided by (used in) investing activities | 2,350,957 | (22,248,268) |
| Cash flows from financing activities: | | |
| Exercise of stock options | 53,991 | 264,259 |
| Repurchase of common stock | | (1,954,455) |
| Principal payments under capital lease obligations | (42,405) | (37,993) |
| Net cash provided by (used in) financing activities | 11,586 | (1,728,189) |
| Net increase (decrease) in cash and cash equivalents | 277,490 | (17,574,295) |
| Cash and cash equivalents, beginning of period | 5,041,410 | 32,562,138 |
| Cash and cash equivalents, end of period | \$ 5,318,900 | \$ 14,987,843 |
| Supplemental disclosure of noncash activities: | | |
| Disposal of fully depreciated equipment | \$ | \$ 3,000 |

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

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REPLIGEN CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

The financial statements included herein have been prepared by Repligen Corporation (the Company, Repligen or we) in accordance with generally accepted accounting principles in the United States (U.S. GAAP) and pursuant to the rules and regulations of the Securities and Exchange Commission (SEC), for quarterly reports on Form 10-Q and Article 10 of Regulation S-X and do not include all of the information and footnote disclosures required by U.S. GAAP. These financial statements should be read in conjunction with the audited financial statements and accompanying notes thereto included in the Company s annual report on Form 10-K for the year ended March 31, 2009.

In the opinion of management, the accompanying unaudited financial statements include all adjustments, consisting of only normal, recurring adjustments necessary for a fair presentation of the financial position, results of operations and cash flows. The results of operations for the interim periods presented are not necessarily indicative of results to be expected for the entire year.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Revenue Recognition

The Company generates product revenues from the sale of bioprocessing products to customers in the pharmaceutical and process chromatography industries. The Company recognizes revenue related to product sales upon delivery of the product to the customer as long as there is persuasive evidence of an arrangement, the sales price is fixed or determinable and collection of the related receivable is reasonably assured. Determination of whether these criteria have been met are based on management s judgments primarily regarding the fixed nature of the fee charged for product delivered, and the collectability of those fees. The Company has a few longstanding customers who comprise the majority of revenue and have excellent payment history and therefore the Company does not require collateral. The Company has had no significant write-offs of uncollectible invoices in the periods presented.

At the time of sale, the Company also evaluates the need to accrue for warranty and sales returns. The supply agreements the Company has with its customers and related purchase orders identify the terms and conditions of each sale and the price of the goods ordered. Due to the nature of the sales arrangements, inventory produced for sale is tested for quality specifications prior to shipment. Since the product is manufactured to order and in compliance with required specifications prior to shipment, the likelihood of sales return, warranty or other issues is largely diminished. Sales returns and warranty issues are infrequent and have had nominal impact on the Company s financial statements historically.

In April 2008, the Company settled its outstanding litigation with Bristol-Myers Squibb Company (Bristol) and began recognizing royalty revenue in fiscal year 2009 for Bristol s net sales in the United States of Orenzia[®] which is used in the treatment of rheumatoid arthritis. Pursuant to the Bristol settlement (as defined in Note 15), the Company recognized royalty revenue of approximately \$2,287,000 and \$1,906,000 for the three months ended December 31, 2009 and 2008, respectively. For the nine months ended December 31, 2009 and 2008, the Company recognized Bristol royalty revenue of approximately \$6,678,000 and \$11,584,000, respectively. The \$11,584,000 recognized in fiscal 2009 included an initial \$5.0 million royalty payment, \$1.3 million in royalties for sales of Orenzia[®] from January 1, 2008 to March 31, 2008, and \$5.3 million in royalties for sales of Orenzia[®] from April 1, 2008 to December 31, 2008. Revenue earned from Bristol royalties is recorded in the periods when it is earned based on royalty reports sent by Bristol to the Company. The Company has no continuing obligations to Bristol as a result of this settlement.

Additionally, for the three months ended December 31, 2009 and 2008, the Company earned and recognized approximately \$465,000 and \$254,000, respectively, in royalty revenue from ChiRhoClin for their sales of secretin. For the nine months ended December 31, 2009 and 2008, the Company earned and recognized ChiRhoClin royalties of approximately \$1,009,000 and \$539,000, respectively. Revenue earned from ChiRhoClin royalties is recorded in the periods when it is earned based on royalty reports sent by ChiRhoClin to the Company. As of December 31, 2009, ChiRhoClin has fulfilled its royalty obligations to the Company for its sales of secretin. The Company does not expect to recognize any further royalty revenue from ChiRhoClin.

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For the three months ended December 31, 2008, the Company recognized approximately \$564,000 of revenue from a sponsored research and development project under an agreement with the Muscular Dystrophy Association. No revenue from sponsored research and development projects was recognized in the three months ended December 31, 2009. For the nine months ended December 31, 2009 and 2008, the Company recognized approximately \$332,000 and \$674,000, respectively, under sponsored research and development projects.

Table of Contents**REPLIGEN CORPORATION****NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)****(Unaudited)**

Research revenue is recognized when the expense has been incurred and services have been performed. Determination of which costs incurred qualify for reimbursement under the terms of the Company's contractual agreements and the timing of when such costs were incurred involves the judgment of management. The Company's calculations are based upon the agreed-upon terms as stated in the arrangements. However, should the estimated calculations change or be challenged by other parties to the agreements, research revenue may be adjusted in subsequent periods. The calculations have not historically changed or been challenged and the Company does not anticipate any subsequent change in its revenue related to sponsored research and development projects.

There have been no material changes to the Company's initial estimates related to revenue recognition in any periods presented in the accompanying financial statements.

3. Earnings (Loss) Per Share

Basic earnings per share for the three and nine-month periods ended December 31, 2009 and 2008 were computed on the basis of the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed on the basis of the weighted average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include outstanding stock options, restricted stock and warrants.

Basic and diluted weighted average shares outstanding were as follows:

| | Three months ended December 31, | | Nine months ended December 31, | |
|--|--|-------------------|---|-------------------|
| | 2009 | 2008 | 2009 | 2008 |
| Weighted average common shares | 30,758,559 | 30,809,445 | 30,748,845 | 31,043,093 |
| Dilutive common stock options | | 215,240 | | 352,458 |
| Weighted average common shares, assuming dilution | 30,758,559 | 31,024,685 | 30,748,845 | 31,395,551 |

For the three and nine-month periods ended December 31, 2008, respectively, 1,082,397 and 671,689 shares of the Company's common stock were excluded from the calculation of diluted earnings per share because the exercise prices of the stock options were greater than or equal to the average price of the common shares, and were therefore anti-dilutive.

At December 31, 2009, there were outstanding options to purchase 2,335,650 shares of the Company's common stock at a weighted average exercise price of \$4.38 per share. All such outstanding options have been excluded from the calculation of diluted earnings per share because their effect would be anti-dilutive.

4. Stock-Based Compensation

The Company uses the Black-Scholes option pricing model to calculate the fair value of share-based awards on the grant date.

For the three months ended December 31, 2009 and 2008, the Company recorded stock-based compensation expense of approximately \$300,604 and \$225,793, respectively, for stock options granted under the Second Amended and Restated 2001 Repligen Corporation Stock Plan (the 2001 Plan). The Company recorded stock-based compensation expense of approximately \$772,316 and \$578,582 for the nine months ended December 31, 2009 and 2008, respectively, for stock options granted under the 2001 Plan.

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The 2001 Plan allows for the granting of incentive and nonqualified options and restricted stock and other equity awards to purchase shares of common stock. Incentive options granted to employees under the 2001 Plan generally vest over a four to five-year period, with 20%-25% vesting on the first anniversary of the date of grant and the remainder vesting in equal yearly installments thereafter. Nonqualified options issued to non-employee directors and consultants under the 2001 Plan generally vest over one year. Options granted under the 2001 Plan have a maximum term of ten years from the date of grant and generally, the exercise price of the stock options equals the fair market value of the Company's common stock on the date of grant. At December 31, 2009, options to purchase 2,335,650 shares were outstanding under the 2001 Plan and the 1992 Repligen Corporation Stock Option Plan (collectively with the 2001 Plan, the Plans). At December 31, 2009, 558,209 shares were available for future grant under the 2001 Plan.

The Company recognizes compensation expense on a straight-line basis over the requisite service period based upon options that are ultimately expected to vest, and accordingly, such compensation expense has been adjusted by an amount of estimated forfeitures. Forfeitures represent only the unvested portion of a surrendered option. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Table of Contents**REPLIGEN CORPORATION****NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)****(Unaudited)**

Information regarding option activity for the nine months ended December 31, 2009 under the Plans is summarized below:

| | Options Outstanding | Weighted- Average Exercise Price Per Share | Weighted- Average Remaining Contractual Term (in years) | Aggregate Intrinsic Value |
|--|------------------------|--|--|---------------------------------|
| Options outstanding at April 1, 2009 | 2,211,950 | \$ 4.37 | | |
| Granted | 233,500 | \$ 4.61 | | |
| Exercised | (20,100) | \$ 2.69 | | |
| Forfeited/Cancelled | (89,700) | \$ 5.17 | | |
| Options outstanding at December 31, 2009 | 2,335,650 | \$ 4.38 | 6.42 | \$ 1,211,333 |
| Options exercisable at December 31, 2009 | 1,295,650 | \$ 4.11 | 4.68 | \$ 1,017,265 |
| Vested and expected to vest at December 31, 2009 (1) | 2,242,603 | \$ 4.38 | 6.42 | \$ 1,166,468 |

- (1) This represents the number of vested options as of December 31, 2009 plus the number of unvested options expected to vest as of December 31, 2009 based on the unvested outstanding options at December 31, 2009 adjusted for the estimated forfeiture rates of 8% for awards granted to non-executive level employees and 3% for awards granted to executive level employees.

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the closing price of the common stock on December 31, 2009 of \$4.11 and the exercise price of each in-the-money option) that would have been received by the option holders had all option holders exercised their options on December 31, 2009.

The weighted average grant date fair value of options granted during the nine months ended December 31, 2009 and 2008 was \$2.74 and \$3.46, respectively. The total fair value of stock options that vested during the nine months ended December 31, 2009 and 2008 was approximately \$846,000 and \$556,000, respectively.

As of December 31, 2009, there was approximately \$2,363,000 of total unrecognized compensation cost related to unvested share-based awards. This cost is expected to be recognized over a weighted average remaining requisite service period of 3.19 years. The Company expects approximately 947,000 in unvested options to vest over the next five years.

5. Cash, Cash Equivalents and Marketable Securities

At December 31, 2009, the Company's investments included money market funds as well as short-term and long-term marketable securities, which are classified as held-to-maturity investments as the Company has the positive intent and ability to hold to maturity. As a result, these investments are recorded at amortized cost. Marketable securities are investments with original maturities of greater than 90 days. Long-term marketable securities are investment grade securities with maturities of greater than one year.

Cash, cash equivalents and marketable securities consist of the following:

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| | December 31, 2009 | March 31, 2009 |
|---------------------------------------|----------------------|-------------------|
| Cash and cash equivalents | \$ 5,318,900 | \$ 5,041,410 |
| Marketable securities: | | |
| U.S. Government and agency securities | 27,495,974 | 20,871,059 |
| Corporate and other debt securities | 15,763,652 | 22,946,856 |
| | \$ 43,259,626 | \$ 43,817,915 |
| Long-term marketable securities: | | |
| U.S. Government and agency securities | 5,510,614 | 5,032,385 |
| Corporate and other debt securities | 7,357,120 | 10,068,854 |
| | \$ 12,867,734 | \$ 15,101,239 |
| Total | \$ 61,446,260 | \$ 63,960,564 |

The average remaining contractual maturity of marketable securities at December 31, 2009 is approximately 7.92 months.

Management reviewed the Company's investments as of December 31, 2009 and concluded that there are no securities with other than temporary impairments in the investment portfolio. The Company does not intend to sell any investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases at maturity. There were no realized gains or losses on the investments for the periods ended December 31, 2009 and March 31, 2009.

Table of Contents**REPLIGEN CORPORATION****NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)****(Unaudited)**

Investments in held-to-maturity debt securities consist of the following at December 31, 2009:

| | Amortized Cost | December 31, 2009 Gross Unrealized Gain | Gross Unrealized Loss | Fair Value |
|---|----------------------|--|-----------------------------|----------------------|
| Marketable securities: | | | | |
| U.S. Government and agency securities | \$ 27,495,974 | \$ 37,363 | \$ (6,674) | \$ 27,526,663 |
| Corporate and other debt securities | 15,763,652 | 73,962 | | 15,837,614 |
| | 43,259,626 | 111,325 | (6,674) | 43,364,277 |
| Long-term marketable securities: | | | | |
| U.S. Government and agency securities | 5,510,614 | 20,802 | (14,526) | 5,516,890 |
| Corporate and other debt securities | 7,357,120 | 65,054 | | 7,422,175 |
| | 12,867,734 | 85,856 | (14,526) | 12,939,065 |
| Total | \$ 56,127,360 | \$ 197,181 | \$ (21,200) | \$ 56,303,342 |

All investments in held-to-maturity debt securities with gross unrealized losses have been in unrealized loss positions for less than 12 months.

Investments in held-to-maturity debt securities consisted of the following at March 31, 2009:

| | Amortized Cost | March 31, 2009 Gross Unrealized Gain | Gross Unrealized Loss | Fair Value |
|---|----------------------|---|-----------------------------|----------------------|
| Marketable securities: | | | | |
| U.S. Government and agency securities | \$ 20,871,059 | \$ 113,154 | \$ (1,052) | \$ 20,983,161 |
| Corporate and other debt securities | 22,946,856 | 77,916 | (82,087) | 22,942,685 |
| | 43,817,915 | 191,070 | (83,139) | 43,925,846 |
| Long-term marketable securities: | | | | |
| U.S. Government and agency securities | 5,032,385 | 21,835 | | 5,054,220 |
| Corporate and other debt securities | 10,068,854 | 56,742 | (20,715) | 10,104,881 |
| | 15,101,239 | 78,577 | (20,715) | 15,159,101 |
| Total | \$ 58,919,154 | \$ 269,647 | \$ (103,854) | \$ 59,084,947 |

The contractual maturities of held-to-maturity debt securities at December 31, 2009 were as follows:

| | Amortized Cost | Fair Value |
|-----------------------|---------------------------|----------------------|
| Due in 1 year or less | \$ 43,259,626 | \$ 43,364,277 |
| Due in 1 to 2 years | 12,867,734 | 12,939,065 |
| | \$ 56,127,360 | \$ 56,303,342 |

6. Fair Value Measurement

In determining the fair value of its assets and liabilities, the Company uses various valuation approaches. The Company employs a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that 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 is broken down into three levels based on the source of inputs as follows:

Level 1 Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access

Table of Contents**REPLIGEN CORPORATION****NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)****(Unaudited)**

Level 2 Valuations based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and models for which all significant inputs are observable, either directly or indirectly

Level 3 Valuations based on inputs that are unobservable and significant to the overall fair value measurement

The availability of observable inputs can vary among the various types of financial assets and liabilities. To the extent that the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for financial statement disclosure purposes, the level in the fair value hierarchy within which the fair value measurement is categorized is based on the lowest level input that is significant to the overall fair value measurement.

The Company's held-to-maturity securities, which are fixed income investments, are comprised of obligations of U.S. government agencies, corporate debt securities and other interest bearing securities. These held-to-maturity securities are recorded at amortized cost and are therefore not included in the Company's market value measurement disclosure. Money market funds are valued using quoted market prices with no valuation adjustments applied. Accordingly, these securities are categorized in Level 1. The Company has no other assets or liabilities for which fair value measurement is either required or has been elected to be applied.

The following fair value hierarchy table presents information about each major category of the Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2009:

| | Fair value measurement at reporting date using: | | | Balance as of December 31, 2009 |
|--------------------|--|--|--|---------------------------------------|
| | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) | |
| Assets: | | | | |
| Money market funds | \$ 5,066,053 | | | \$ 5,066,053 |

There were no remeasurements to fair value during the three months ended December 31, 2009 of financial assets and liabilities that are not measured at fair value on a recurring basis.

7. Inventories

Inventories relate to the Company's bioprocessing business. The Company values inventory at cost or, if lower, fair market value using the first-in, first-out method. The Company reviews its inventories at least quarterly and records a provision for excess and obsolete inventory based on its estimates of expected sales volume, production capacity and expiration dates of raw materials, work-in process and finished products. Expected sales volumes are determined based on supply forecasts provided by key customers for the next three to twelve months. The Company writes down inventory that has become obsolete, inventory that has a cost basis in excess of its expected net realizable value, and inventory in excess of expected requirements to cost of product revenue. Manufacturing of bioprocessing finished goods is done to order and tested for quality specifications prior to shipment.

A change in the estimated timing or amount of demand for the Company's products could result in additional provisions for excess inventory quantities on hand. Any significant unanticipated changes in demand or unexpected quality failures could have a significant impact on the value of inventory and reported operating results. During all periods presented in the accompanying financial statements, there has been no material adjustments related to a revised estimate of inventory valuations.

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Work-in-process and finished products inventories consist of material, labor, outside processing costs and manufacturing overhead. Inventories consist of the following:

| | December 31, 2009 | March 31, 2009 |
|-----------------|--------------------------|-----------------------|
| Raw materials | \$ 1,112,102 | \$ 1,400,408 |
| Work in process | 787,338 | 791,465 |
| Finished goods | 204,031 | 221,354 |
| Total | \$ 2,103,471 | \$ 2,413,227 |

Table of Contents**REPLIGEN CORPORATION****NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)****(Unaudited)****8. Accrued Expenses and Other Current Liabilities**

The Company estimates accrued liabilities by identifying services performed on the Company's behalf, estimating the level of service performed and determining the associated cost incurred for such service as of each balance sheet date. Examples of estimated accrued expenses include: 1) Fees paid to contract manufacturers in conjunction with the production of clinical materials. These expenses are normally determined through a contract or purchase order issued by the Company; 2) Service fees paid to organizations for their performance in conducting clinical trials. These expenses are determined by contracts in place for those services and communications with project managers on costs which have been incurred as of each reporting date; 3) Professional and consulting fees incurred with law firms, audit and accounting service providers and other third party consultants. These expenses are determined by either requesting those service providers to estimate unbilled services at each reporting date for services incurred, or tracking costs incurred by service providers under fixed fee arrangements.

The Company has processes in place to estimate the appropriate amounts to record for accrued liabilities, which principally involve the applicable personnel reviewing the services provided. In the event that the Company does not identify certain costs which have begun to be incurred or the Company under or over-estimates the level of services performed or the costs of such services, the reported expenses for that period may be too low or too high. The date on which certain services commence, the level of services performed on or before a given date, and the cost of such services are often judgmental. The Company makes these judgments based upon the facts and circumstances known at the date of the financial statements.

Accrued liabilities consist of the following:

| | December 31, 2009 | March 31, 2009 |
|---------------------------|--------------------------|-----------------------|
| Employee compensation | \$ 961,186 | \$ 1,040,529 |
| Royalty and license fees | 399,750 | 269,850 |
| Research and development | 968,534 | 769,793 |
| Professional fees | 157,205 | 94,572 |
| Other accrued expenses | 100,263 | 110,059 |
| Other current liabilities | 96,352 | 216,538 |
| Unearned revenue | 427,362 | 125,000 |
| | \$ 3,110,652 | \$ 2,626,341 |

9. Income Taxes

For the three and nine-month periods ended December 31, 2009, the Company has recorded an income tax benefit of approximately \$835,000 due to the Worker, Homeownership, and Business Assistance Act of 2009 (the Act) that was enacted in November 2009. Among other things, the Act suspended the limitation on the use of net operating losses to offset alternative minimum tax liabilities. The Company paid a total of approximately \$835,000 of alternative minimum taxes in the fiscal years ended March 31, 2009 and 2008 combined. The Company expects to receive a refund of \$835,000 upon filing its tax return for the year ended March 31, 2010. This refundable tax amount is included in prepaid expenses and other current assets on the balance sheet. The effective tax rate for the nine months ended December 31, 2009 was approximately -25.53%.

For the three months ended December 31, 2008, the Company's effective tax rate benefited from the recognition of approximately \$40,000 in research and development tax credits. For the nine months ended December 31, 2008, the Company had income before taxes of approximately \$8,614,000 and an income tax provision of approximately \$175,000. The effective tax rate for the nine months ended December 31, 2008 was approximately 2.49%. The effective income tax rate was based upon the estimated income for the year and the composition of the income in different jurisdictions. The effective tax rate differs from the statutory tax rate due to the utilization of prior year net operating losses and credits,

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offset by the effects of the alternative minimum tax on income derived during the fiscal year.

The Company has net operating loss carryforwards of approximately \$58,696,000, research and development credit carryforwards of approximately \$2,089,000, and other tax credits of approximately \$833,000 available to reduce future federal income taxes, if any. Additionally, the Company also has business tax credit carryforwards of approximately \$2,613,000 available to reduce future state income taxes, if any. The Company has utilized all available state net operating loss carryforwards. The net operating loss and business tax credit carryforwards will continue to expire at various dates, if not used. The net operating loss and business tax credit carryforwards are subject to review and possible adjustment by the Internal Revenue Service and may be limited in the event of certain changes in the ownership interest of significant stockholders.

As of December 31, 2009, a full valuation allowance has been provided against the net operating losses, business tax credits and other deferred tax assets, as it is uncertain if the Company will realize the benefits of such deferred tax assets. As of December 31, 2009 and 2008, the Company had no material unrecognized tax benefits and no adjustments to liabilities or operations were required.

10. Comprehensive Income/Loss

Comprehensive income is defined as the change in equity of a business enterprise during a period resulting from transactions and other events and circumstances from non-owner sources. The Company's comprehensive income/loss is equal to the reported net income/loss for all periods presented.

Table of Contents**REPLIGEN CORPORATION****NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)****(Unaudited)****11. Segment Reporting**

The Company views its operations, makes decisions regarding how to allocate resources and manages the business as one operating segment. As a result, the financial information disclosed herein represents all of the material financial information related to the Company's principal operating segment.

The following table represents the Company's total revenue by geographic area (based on the location of the customer):

| | Three months ended December 31, | | Nine months ended December 31, | |
|--------|------------------------------------|------|-----------------------------------|------|
| | 2009 | 2008 | 2009 | 2008 |
| Sweden | 42% | 42% | 37% | 38% |
| U.S. | 55% | 54% | 56% | 58% |
| Other | 3% | 4% | 7% | 4% |
| | 100% | 100% | 100% | 100% |

Royalty revenue from Bristol represented 41% and 32% of the Company's total revenue for the three months ended December 31, 2009 and 2008, respectively. For the nine months ended December 31, 2009 and 2008, royalty revenue from Bristol represented 41% and 47% of the Company's total revenue, respectively.

The Company's largest bioprocessing products customer accounted for 42% of total revenues for both three-month periods ended December 31, 2009 and 2008. For both nine-month periods ended December 31, 2009 and 2008, the Company's largest bioprocessing products customer represented 37% of total revenues.

Bristol's royalty represented 76% of accounts receivable at December 31, 2009 and 70% of accounts receivable as of March 31, 2009.

12. Recent Accounting Pronouncements

In October 2009, the Financial Accounting Standards Board issued Accounting Standards Update 2009-13, *Revenue Arrangements with Multiple Deliverables* (ASU 2009-13), which updated accounting principles and application guidance on whether multiple elements exist, how the arrangement should be separated, and how the consideration should be allocated. ASU 2009-13 is effective for the Company for revenue arrangements entered into or materially modified on or after April 1, 2011. The Company has not yet completed its evaluation of ASU 2009-13 and the impact, if any, that adoption will have on its results of operations, financial position or cash flows.

13. Scripps Agreements***License Agreement***

On April 6, 2007, the Company entered into an exclusive worldwide commercial license agreement (License Agreement) with The Scripps Research Institute (Scripps). Pursuant to the License Agreement, the Company obtained a license to use, commercialize and sublicense certain patented technology and improvements thereon, owned or licensed by Scripps, relating to compounds which may have utility in treating Friedreich's ataxia, an inherited neurodegenerative disease. Research in tissues derived from patients, as well as, in mice, indicates that the licensed compounds increase production of the protein frataxin, which suggests potential utility of these compounds in slowing or stopping progression of the disease. There are currently no approved treatments for Friedreich's ataxia in the U.S.

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Pursuant to the License Agreement, the Company agreed to pay Scripps an initial license fee of \$300,000, certain royalty and sublicense fees and, in the event that the Company achieves specified developmental and commercial milestones, certain additional milestone payments. Total future milestone payments, were all milestones achieved, would be approximately \$4.3 million. In addition, the Company issued Scripps and certain of its designees 87,464 shares of the Company's common stock which had a value of \$300,000 on the date of issuance. The Company recorded the initial license payment and the value of the shares issued as research and development costs in the statements of operations in fiscal 2008.

In connection with the License Agreement, the Company issued warrants to an individual at Scripps to purchase up to 150,000 shares of common stock. The warrants have a 7-year term and are exercisable based on performance criteria as detailed in the warrant agreement. No expense has been recorded related to these warrants through December 31, 2009, as none of the performance criteria have been achieved. At this time, the Company does not believe that the performance criteria are probable of being achieved in the near future.

The License Agreement with Scripps expires or may be terminated (i) when all of the royalty obligations under the License Agreement expire; (ii) at any time by mutual written consent; (iii) by Scripps if the Company (a) fails to make payments under the License Agreement, (b) fails to achieve certain developmental and commercial objectives, (c) becomes insolvent, (d) is convicted of a felony relating to the manufacture, use or sale of the licensed technology, or (e) defaults in its performance under the License Agreement; or (iv) by the Company upon 90 days written notice.

Table of Contents**REPLIGEN CORPORATION****NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)****(Unaudited)*****Research Funding and Option Agreement***

On October 26, 2007, the Company entered into a research funding and option agreement (*Funding Agreement*) with Scripps to fund a research program for the research and development of compounds that may have utility in the treatment of Friedreich's ataxia. Pursuant to the Funding Agreement, the Company is required to fund approximately \$35,000 per quarter which is recorded as research and development expenses. In exchange for funding the research, Scripps will grant an exclusive option to the Company to acquire a sole, worldwide license, including the right to sublicense, manufacture and sell products, and services that result from the research program. There are no guaranties or warranties that products or services may result from the research program and the Company has therefore ascribed no value to the license. The Funding Agreement expires or may be terminated (i) when all of the royalty obligations under the Funding Agreement expire; (ii) at any time by mutual written consent; (iii) by Scripps if the Company (a) fails to make payments under the Funding Agreement, (b) fails to achieve certain developmental and commercial objectives, (c) becomes insolvent, (d) is convicted of a felony relating the manufacture, use or sale of the licensed technology, or (e) defaults in its performance under the Funding Agreement; or (iv) by the Company upon 90 days written notice.

14. FSMA Agreement

On October 22, 2009, the Company entered into an exclusive worldwide commercial license agreement (*License Agreement*) with Families of Spinal Muscular Atrophy (*FSMA*). Pursuant to the License Agreement, the Company obtained an exclusive license to develop and commercialize certain patented technology and improvements thereon, owned or licensed by FSMA, relating to compounds which may have utility in treating Spinal Muscular Atrophy (*SMA*). SMA is an inherited neurodegenerative disease in which a defect in the SMN1 (*survival motor neuron*) gene results in low levels of the protein SMN and leads to progressive damage to motor neurons, loss of muscle function and, in many patients, early death.

Pursuant to the License Agreement, the Company agreed to pay FSMA an initial license fee of \$500,000 which has been recorded as research and development expense in the statements of operations for the three months ended December 31, 2009. If all milestones are achieved, total financial obligations under this agreement, including milestone payments, sublicense fees, and other charges, could total approximately \$16,000,000. Given the uncertain nature of such a development program, the likelihood that products or services will result from the research program is not known at this time. The Company has therefore ascribed no value to the license or the related liability.

The License Agreement with FSMA expires or may be terminated (i) on the later of: (a) when all related patents have expired or been abandoned, or (b) 10 years following the first commercial sale of a licensed product; (ii) by FSMA if the Company (a) fails to make payments under the License Agreement, (b) fails to use commercially reasonable efforts towards development and commercial objectives, (c) fails to maintain the required insurance or becomes insolvent, or (d) defaults in its performance under the License Agreement; or (iii) by the Company upon 30 days written notice.

15. Legal Proceedings

In January 2006, Repligen and the University of Michigan jointly filed a complaint against Bristol in the United States District Court for the Eastern District of Texas for infringement of U.S. Patent No. 6,685,941 (*the '941 patent*) for the commercial sale of Orencia[®]. The '941 patent, entitled *Methods of Treating Autoimmune Disease via CTLA4-Ig*, covers methods of using CTLA4-Ig to treat rheumatoid arthritis, as well as other therapeutic methods. Repligen has exclusive rights to this patent from its owners, the University of Michigan and the U.S. Navy. In February 2006, Bristol answered the complaint and counterclaimed seeking a declaratory judgment that the '941 patent is invalid and unenforceable and that Bristol does not infringe the patent.

On April 7, 2008, Repligen and the University of Michigan entered into a settlement agreement (the *Bristol Settlement*) with Bristol relating to the lawsuit against Bristol for infringement of the '941 patent. Pursuant to the Bristol Settlement, Bristol made an initial payment of \$5 million to Repligen. The settlement further provides for Bristol to pay royalties on the United States net sales of Orencia[®] for any clinical indication at a rate of 1.8% for the first \$500 million of annual net sales, 2.0% for the next \$500 million of annual net sales and 4% of annual net sales in excess of \$1 billion for each year from January 1, 2008 until December 31, 2013. The Bristol Settlement served as the basis for Repligen and the

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University of Michigan to dismiss the lawsuit against Bristol and for Repligen and the University of Michigan to grant to Bristol an exclusive worldwide license to the '941 patent and certain other intellectual property.

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REPLIGEN CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Pursuant to the Bristol Settlement, the Company recognized royalty revenue of approximately \$2,287,000 and \$1,906,000 for the three months ended December 31, 2009 and 2008, respectively. For the nine months ended December 31, 2009 and 2008, the Company recognized Bristol royalty revenue of approximately \$6,678,000 and \$11,584,000, respectively. The \$11,584,000 recognized in the nine months ended December 31, 2008 included an initial \$5.0 million royalty payment, \$1.3 million in royalties for sales of Orencia® from January 1, 2008 to March 31, 2008, and \$5.3 million in royalties for sales of Orencia® from April 1, 2008 to December 31, 2008 (see Note 2).

Repligen must also remit to the University of Michigan 15% of all royalty revenue received from Bristol, after deducting certain legal and other costs incurred related to the Bristol Settlement. The Company incurred approximately \$6.1 million in such legal costs. Royalty expense for the three and nine-month periods ended December 31, 2009 was approximately \$343,000 and \$1,002,000, respectively. For the three and nine-month periods ended December 31, 2008, the royalty expense was approximately \$286,000 and \$822,000, respectively. This operating expense has been included on the statements of operations under the line item Cost of royalty and other revenue .

16. Share Repurchase

In June 2008, the Board of Directors authorized a program to repurchase up to 1.25 million of the Company's common stock to be repurchased at the discretion of management from time to time in the open market or through privately negotiated transactions. The repurchase program has no set expiration date and may be suspended or discontinued at any time. For the three months ended December 31, 2008, the Company repurchased 417,386 shares of common stock, for an aggregate purchase price of approximately \$1,594,000. For the nine months ended December 31, 2008, the Company repurchased 492,827 shares of common stock, for an aggregate purchase price of approximately \$1,954,000. No shares were repurchased for the three and nine-month periods ended December 31, 2009. As of December 31, 2009, there are 757,173 shares remaining under this authorization.

17. Subsequent Events

The Company has evaluated subsequent events through February 4, 2010, the date the financial statements were issued, and determined that there have been no subsequent events that would require recognition in the Financial Statements or disclosure in the Notes to Condensed Financial Statements.

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

Overview

We are a biopharmaceutical company focused on the development of novel therapeutics primarily for the treatment of diseases of the central nervous system. A number of drug development programs are currently being conducted to evaluate our drug candidates in diseases such as pancreatitis, bipolar disorder and neurodegeneration. We also have a bioprocessing business that both sells a line of products based on Protein A for monoclonal antibody purification and seeks to acquire additional products and technologies to complement our manufacturing and quality capabilities. In addition, we receive royalties from Bristol for their net sales in the United States of their product Orencia®. We seek to invest the profits from our current commercial products and royalty and other revenues, as well as using our existing financial resources, to advance the development of our therapeutic product candidates and bioprocessing business.

Critical Accounting Policies and Estimates

A critical accounting policy is one which is both important to the portrayal of the Company's financial condition and results and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. For additional information, please see the discussion of our significant accounting policies in Note 2 to the Financial Statements included in our Annual Report on Form 10-K for the year ended March 31, 2009. There have been no changes to our critical

accounting policies since March 31, 2009.

Results of Operations

Three months ended December 31, 2009 vs. December 31, 2008

Total revenue

Total revenues for the three-month periods ended December 31, 2009 and 2008 were approximately \$5,617,000 and \$6,018,000 respectively, a decrease of \$401,000 or 7%.

Sales of bioprocessing products for the three-month periods ended December 31, 2009 and 2008 were approximately \$2,865,000 and \$3,294,000, respectively. This decrease of \$429,000, or 13%, was largely due to reduced demand from certain key customers. We sell various bioprocessing products at various price points. The mix of products sold varies and impacts the fluctuations in total product revenue and cost of product revenues from period to period.

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Substantially all of our bioprocessing products are based on recombinant Protein A and are sold to customers who incorporate our manufactured products into their proprietary antibody purification systems to be sold directly to the pharmaceutical industry. Monoclonal antibodies are a well-established class of drug with applications in rheumatoid arthritis, asthma and a variety of cancers. Sales of our bioprocessing products are therefore impacted by the timing of large-scale production orders and the regulatory approvals for such antibodies, which may result in significant quarterly fluctuations.

Pursuant to the Bristol Settlement, we recognized royalty revenue of approximately \$2,287,000 and \$1,906,000 for the three months ended December 31, 2009 and 2008, respectively. Additionally, for the three months ended December 31, 2009 and 2008, we earned and recognized approximately \$465,000 and \$254,000, respectively, in royalty revenue from ChiRhoClin for their sales of secretin. ChiRhoClin fulfilled its royalty obligations to us for their sales of secretin effective December 31, 2009 and, accordingly, we do not expect to recognize any further royalty revenue from ChiRhoClin.

During the three months ended December 31, 2008, we recognized approximately \$564,000 of revenue from a sponsored research and development project under an agreement with the Muscular Dystrophy Association. No revenue from sponsored research and development projects was recognized in the three months ended December 31, 2009.

Costs and operating expenses

Total costs and operating expenses were approximately \$6,987,000 and \$6,556,000 for the three-month periods ended December 31, 2009 and 2008, respectively, an increase of \$431,000 or 7%.

Cost of product revenue was approximately \$1,085,000 and \$1,287,000 for the three-month periods ended December 31, 2009 and 2008, respectively, a decrease of \$202,000 or 16%. This decrease is primarily due to the decrease in bioprocessing product sales noted above and the timing of certain manufacturing expenditures as well as favorable manufacturing variances during the three-month period ended December 31, 2009.

Pursuant to the Bristol Settlement, we must remit 15% of royalty revenue received through the expiration of the settlement agreement in December 2013, after deducting certain allowable legal and other costs, to the University of Michigan. For the three-month periods ended December 31, 2009 and 2008, this cost of royalty revenue was approximately \$343,000 and \$286,000, respectively, an increase of \$57,000 or 20%. This increase is directly related to the increase in Bristol royalty revenue noted above.

Research and development expenses were approximately \$3,846,000 and \$3,579,000 for the three-month periods ended December 31, 2009 and 2008, respectively, an increase of \$267,000 or 7%. This increase is primarily due to approximately \$510,000 in expenditures associated with our exclusive license agreement with FSMA including a \$500,000 initial license fee, announced in October 2009, of compounds that may have utility in treating Spinal Muscular Atrophy as well as increased spending of approximately \$176,000 in our Friedreich's ataxia program as we continue our efforts to identify a clinical candidate and initiate a phase 1 trial during the next fiscal year. These increases were offset by decreased spending due to the timing of certain external expenditures associated with our ongoing phase 2b clinical trial for RG2417, evaluating the use of uridine to treat bi-polar depression as well as reduced spending related to our phase 3 clinical trial for RG1068, evaluating the use of human secretin in pancreatic imaging as we completed patient enrollment. Significant fluctuations in research and development expenses may occur from period to period depending on the nature, timing, and extent of development activities over any given period of time.

Selling, general and administrative expenses were approximately \$1,714,000 and \$1,404,000 for the three-month periods ended December 31, 2009 and 2008, respectively, an increase of \$310,000 or 22%. This increase is largely attributable to increased headcount and other costs as we expand our business development, marketing and other functions to support the business.

Investment income

Investment income was approximately \$187,000 and \$473,000 for the three-month periods ended December 31, 2009 and 2008, respectively. This decrease of \$286,000, or 60%, is primarily due to lower interest rates resulting from overall economic conditions.

Income tax provision

For the three-month period ended December 31, 2009, we recorded an income tax benefit of approximately \$835,000 due to the Worker, Homeownership, and Business Assistance Act of 2009 (the Act) that was enacted in November 2009. Among other things, the Act suspended the limitation on the use of net operating losses to offset alternative minimum tax liabilities. The Company paid a total of approximately \$835,000 of alternative minimum taxes in the fiscal years ended March 31, 2009 and 2008 combined. The Company expects to receive a refund

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of \$835,000 upon filing its tax return for the year ended March 31, 2010. This refundable tax amount is included in prepaid expenses and other current assets on the balance sheet. The effective tax rate for the three months ended December 31, 2009 was approximately -70.52%.

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For the three months ended December 31, 2008, we had an income tax benefit of approximately \$85,000, due largely to the recognition of approximately \$40,000 in research and development tax credits. The effective tax rate for the nine months ended December 31, 2008 was approximately 2.49%. The effective income tax rate was based upon the estimated income for the year and the composition of the income in different jurisdictions. The effective tax rate differs from the statutory tax rate due to the utilization of prior year net operating losses and credits, offset by the effects of the alternative minimum tax on income derived during the fiscal year.

We have net operating loss carryforwards of approximately \$58,696,000, research and development credit carryforwards of approximately \$2,089,000, and other tax credits of approximately \$833,000 available to reduce future federal income taxes, if any. Additionally, we also have business tax credit carryforwards of approximately \$2,613,000 available to reduce future state income taxes, if any. We have utilized all available state net operating loss carryforwards. The net operating loss and business tax credit carryforwards will continue to expire at various dates, if not used. The net operating loss and business tax credit carryforwards are subject to review and possible adjustment by the Internal Revenue Service and may be limited in the event of certain changes in the ownership interest of significant stockholders.

As of December 31, 2009, a full valuation allowance has been provided against the net operating losses, business tax credits and other deferred tax assets, as it is uncertain if we will realize the benefits of such deferred tax assets.

Nine months ended December 31, 2009 vs. December 31, 2008

Total revenue

Total revenues for the nine-month periods ended December 31, 2009 and 2008 were approximately \$16,099,000 and \$24,768,000 respectively, a decrease of \$8,669,000 or 35%.

Sales of bioprocessing products for the nine-month periods ended December 31, 2009 and 2008 were approximately \$8,080,000 and \$11,803,000 respectively. This decrease of \$3,723,000, or 32%, was largely the result of decreased demand from certain key customers. We sell various bioprocessing products at various price points. The mix of products sold varies and impacts the fluctuations in total product revenue and cost of product revenues from period to period.

Substantially all of our bioprocessing products are based on recombinant Protein A and are sold to customers who incorporate our manufactured products into their proprietary antibody purification systems to be sold directly to the pharmaceutical industry. Monoclonal antibodies are a well-established class of drug with applications in rheumatoid arthritis, asthma and a variety of cancers. Sales of our bioprocessing products are therefore impacted by the timing of large-scale production orders and on the regulatory approvals for such antibodies, which may result in significant quarterly fluctuations.

Pursuant to the Bristol Settlement, we recognized royalty revenue of approximately \$6,678,000 in the nine-month period ended December 31, 2009. For the nine months ended December 31, 2008, we recognized royalty revenue of approximately \$11,584,000, of which \$6,330,000 represented royalties for Bristol's sales of Orenca® prior to our fiscal year 2009 that were recognized upon settlement of our litigation. Additionally, during the nine-month periods ended December 31, 2009 and 2008, we earned and recognized approximately \$1,009,000 and \$539,000, respectively, in royalty revenue from ChiRhoClin. ChiRhoClin fulfilled its royalty obligations to us for their sales of secretin effective December 31, 2009 and, accordingly, we do not expect to recognize any further royalty revenue from ChiRhoClin.

During the nine-month periods ended December 31, 2009 and 2008, we recognized approximately \$332,000 and \$674,000, respectively, of revenue from various sponsored research and development projects. Research revenue is recognized for costs plus fixed-fee contracts as costs are incurred.

As previously disclosed, we ceased sales of SecreFlo® in the prior year due to the expiration of our agreement with our sole supplier, ChiRhoClin. Sales of SecreFlo® for the nine months ended December 31, 2008 were \$168,000.

Costs and operating expenses

Total operating expenses were approximately \$20,103,000 and \$17,672,000 for the nine-month periods ended December 31, 2009 and 2008, respectively, an increase of \$2,431,000 or 14%.

Cost of product revenue was approximately \$3,274,000 and \$4,344,000 for the nine-month periods ended December 31, 2009 and 2008, respectively, a decrease of \$1,070,000 or 25%. This decrease is primarily due to the decrease in bioprocessing product sales noted above, offset by increased depreciation and occupancy expenses related to expansion of our manufacturing capacity and investments in product quality.

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In connection with the Bristol Settlement, we must remit 15% of royalty revenue received through the expiration of the settlement agreement in December 2013, after deducting certain allowable legal and other costs, to the University of Michigan. Total cost of royalty revenue was approximately \$1,002,000 and \$822,000 for the nine-month periods ended December 31, 2009 and 2008, respectively.

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Research and development expenses were approximately \$10,707,000 and \$8,127,000 for the nine-month periods ended December 31, 2009 and 2008, respectively, an increase of \$2,580,000 or 32%. This increase is primarily due to approximately \$510,000 in expenditures associated with our exclusive license agreement with FSMA including a \$500,000 initial license fee, announced in October 2009, of compounds that may have utility in treating Spinal Muscular Atrophy, as well as increased spending of approximately \$955,000 in our Friedreich's ataxia program as we continue our efforts to identify a clinical candidate and initiate a phase 1 trial during the next fiscal year, \$548,000 in incremental spending associated with our phase 2b clinical trial for RG2417, and \$88,000 in spending associated with our phase 3 clinical trial for RG1068. Significant fluctuations in research and development expenses may occur from period to period depending on the nature, timing, and extent of development activities over any given period of time.

Selling, general and administrative expenses were approximately \$5,120,000 and \$4,380,000 for the nine-month periods ended December 31, 2009 and 2008, respectively, an increase of \$740,000 or 17%. This increase is largely attributable to increased headcount and other costs as we expand our business development, marketing and other functions to support the business.

Investment income

Investment income was approximately \$736,000 and \$1,521,000 for the nine-month periods ended December 31, 2009 and 2008, respectively. This decrease of \$785,000, or 52%, is primarily due to lower interest rates resulting from overall economic conditions.

Income tax provision

For the nine-month period ended December 31, 2009, we recorded an income tax benefit of approximately \$835,000 due to the Worker, Homeownership, and Business Assistance Act of 2009 (the Act) that was enacted in November 2009. Among other things, the Act suspended the limitation on the use of net operating losses to offset alternative minimum tax liabilities. The Company paid a total of approximately \$835,000 of alternative minimum taxes in the fiscal years ended March 31, 2009 and 2008 combined. The Company expects to receive a refund of \$835,000 upon filing its tax return for the year ended March 31, 2010. This refundable tax amount is included in prepaid expenses and other current assets on the balance sheet. The effective tax rate for the nine months ended December 31, 2009 was approximately -25.53%.

For the nine-month period ended December 31, 2008, we generated income before taxes of approximately \$8,614,000 and had an income tax provision of \$175,000, for an effective tax rate of 2.49%. The tax provision benefited from the recognition of approximately \$40,000 in research and development tax credits. The effective tax rate differs from the statutory tax rate due to the continued utilization of prior year net operating losses and credits, offset by the effects of the alternative minimum tax (AMT) on income derived during the fiscal year.

We have net operating loss carryforwards of approximately \$58,696,000, research and development credit carryforwards of approximately \$2,089,000, and other tax credits of approximately \$833,000 available to reduce future federal income taxes, if any. Additionally, we also have business tax credit carryforwards of approximately \$2,613,000 available to reduce future state income taxes, if any. We have utilized all available state net operating loss carryforwards. The net operating loss and business tax credit carryforwards will continue to expire at various dates, if not used. The net operating loss and business tax credit carryforwards are subject to review and possible adjustment by the Internal Revenue Service and may be limited in the event of certain changes in the ownership interest of significant stockholders.

As of December 31, 2009, a full valuation allowance has been provided against the net operating losses, business tax credits and other deferred tax assets, as it is uncertain if we will realize the benefits of such deferred tax assets.

Liquidity and capital resources

We have financed our operations primarily through sales of equity securities, revenues derived from product sales, and research grants, as well as proceeds and royalties from litigation settlements. Our revenue for the foreseeable future will be limited to our bioprocessing product revenue, royalties from Bristol, and research and development grants. Given the uncertainties related to pharmaceutical product development, we are currently unable to reliably estimate when, if ever, our therapeutic product candidates will generate revenue and cash flows. Total cash, cash equivalents and marketable securities at December 31, 2009 were approximately \$61,446,000, a decrease of \$2,515,000 from \$63,961,000 at March 31, 2009.

Operating activities

Our operating activities consumed cash of approximately \$2,085,000 for the nine months ended December 31, 2009. Cash used in operating activities is attributable to a net loss of \$2,435,000, a \$1,096,000 decrease in accounts payable, a \$718,000 increase in royalties receivable, and a \$686,000 increase in prepaid expenses and other current assets, offset by a \$527,000 increase in accrued liabilities, a \$276,000 decrease in

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accounts receivable, a \$310,000 decrease in inventories, and certain non-cash expenses such as \$993,000 for depreciation and \$772,000 in stock-based compensation expense.

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Investing activities

Our investing activities provided approximately \$2,351,000 for the nine-month period ended December 31, 2009 as we had \$2,792,000 in net redemptions of marketable securities. In addition, we invested approximately \$441,000 in equipment purchases and improvements to our facility.

Financing activities

For the nine-month period ended December 31, 2009, stock option exercises provided cash proceeds of approximately \$54,000, offset by principal payments under capital lease obligations of approximately \$42,000.

We do not currently use derivative financial instruments. We generally place our marketable security investments in high quality credit instruments as specified in our investment policy guidelines.

Working capital increased to approximately \$51,385,000 at December 31, 2009 from \$50,235,000 at March 31, 2009 due to the various changes noted above.

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

the success of our clinical studies;

the scope of and progress made in our research and development activities;

our ability to acquire additional product candidates;

the success of any proposed financing efforts;

the ability to sustain sales and profits of our commercial products; and

the amount of royalty revenues we receive from Bristol.

Absent acquisitions of additional products, product candidates or intellectual property, we believe our current cash and investment balances are adequate to meet our needs. Our future capital requirements include, but are not limited to, continued investment in our research and development programs, capital expenditures primarily associated with purchases of equipment and facilities and continued investment in our intellectual property portfolio.

We plan to continue to invest in key research and development activities. We actively evaluate various strategic transactions on an ongoing basis, including licensing or acquiring complementary products, technologies or businesses that would complement our existing portfolio of development programs. We continue to seek to acquire such potential assets that may offer us the best opportunity to create value for our shareholders. In order to acquire such assets, we may need to seek additional financing to fund these investments. This may require the issuance or sale of additional equity or debt securities. The sale of additional equity may result in dilution to our stockholders. Should we need to secure additional financing to acquire a product, fund future investment in research and development, or meet our future liquidity requirements, we may not be able to secure such financing, or obtain such financing on favorable terms because of the volatile nature of the biotechnology marketplace.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of December 31, 2009.

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Commitments

As of December 31, 2009, we had the following fixed obligations and commitments:

| (In thousands) | Payments Due by Period | | | | |
|-----------------------------|------------------------|---------------------|-----------------|----------------|----------------------|
| | Total | Less than 1 Year | 1 - 3 Years | 3 - 5 Years | More than 5 Years |
| Operating lease obligations | \$ 1,176 | \$ 605 | \$ 560 | \$ 11 | \$ |
| Purchase obligations (1) | 719 | 719 | | | |
| Contractual obligations (2) | 1,705 | 1,205 | 500 | | |
| Total | \$ 3,600 | \$ 2,529 | \$ 1,060 | \$ 11 | \$ |

- (1) Represents purchase orders for the procurement of raw material for manufacturing as well as clinical materials and other expenditures to support our ongoing trials.
- (2) Includes payments for license, supply and consulting agreements.

Table of Contents***Cautionary Statement Regarding Forward-Looking Statements***

Statements in this Quarterly Report on Form 10-Q, as well as oral statements that may be made by Repligen or by officers, directors or employees of Repligen acting on its behalf, that are not historical facts constitute forward-looking statements which are made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The forward-looking statements in this Quarterly Report on Form 10-Q do not constitute guarantees of future performance. Investors are cautioned that statements in this Quarterly Report on Form 10-Q which are not strictly historical statements, including, without limitation, statements regarding current or future financial performance, management's strategy, plans and objectives for future operations, clinical trials and results, marketing plans, revenue potential of therapeutic product candidates, product research, intellectual property and development, manufacturing plans and performance, delays in manufacturing by us or our partners, timing of customer orders, the anticipated growth in our target markets, including, without limitation, the market for neuropsychiatric disorders treatment, the market for pancreatic disease treatment, the monoclonal antibody market and the process chromatography industry and projected growth in product sales, costs of operations, sufficiency of funds to meet management objectives and availability of financing and effects of accounting pronouncements constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause our actual results to be materially different from the historical results or from any results expressed or implied by such forward-looking statements, including, without limitation, risks associated with: the success of current and future collaborative relationships, the success of our clinical trials and our ability to develop and commercialize products, our ability to obtain required regulatory approvals, our compliance with all Food and Drug Administration regulations, our ability to obtain, maintain and protect intellectual property rights for our products, the risk of litigation regarding our patent and other intellectual property rights, the risk of litigation with collaborative partners, our limited sales and marketing experience and capabilities, our limited manufacturing capabilities and our dependence on third-party manufacturers and value-added resellers, our ability to hire and retain skilled personnel, the market acceptance of our products, our ability to compete with larger, better financed pharmaceutical and biotechnology companies that may develop new approaches to the treatment of our targeted diseases, our history of losses and expectation of incurring continued losses, our ability to generate future revenues, our ability to raise additional capital to continue our drug development programs, our volatile stock price, and the effects of our anti-takeover provisions. Further information on potential risk factors that could affect our financial results are included in the filings made by us from time to time with the Securities and Exchange Commission including under the section entitled Risk Factors in our Annual Report on Form 10-K for the year ended March 31, 2009.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK***Interest Rate Risk***

We have investments in U.S. Government and agency securities, corporate debt securities and other interest bearing securities. As a result, we are exposed to potential loss from market risks that may occur as a result of changes in interest rates, changes in credit quality of the issuer or otherwise.

We generally place our marketable security investments in high quality credit instruments, as specified in our investment policy guidelines. A hypothetical 100 basis point increase in interest rates would result in an approximate \$372,000 decrease in the fair value of our investments as of December 31, 2009. We believe, however, that the conservative nature of our investments mitigates our interest rate exposure, and our investment policy limits the amount of our credit exposure to any one issue, issuer (with the exception of U.S. agency obligations) and type of instrument. We do not expect any material loss from our marketable security investments and therefore believe that our potential interest rate exposure is limited. We intend to hold the majority of our investments to maturity, in accordance with our business plans.

ITEM 4. CONTROLS AND PROCEDURES

The Company's management, with the participation of the principal executive officer and the principal financial officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report. Based on such evaluation, the principal executive officer and principal financial officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, on a timely basis, and is accumulated and communicated to the Company's management, including the Company's principal executive officer and the Company's principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

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There was no change in the Company's internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may be subject to other legal proceedings and claims in the ordinary course of business. We are not currently aware of any such proceedings or claims that we believe will have, individually or in the aggregate, a material adverse effect on our business, financial condition or results of operations.

ITEM 1A. RISK FACTORS

For a discussion of risk factors, please see Item 1A in our Annual Report on Form 10-K for the year ended March 31, 2009.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In June 2008, the Board of Directors authorized a program to repurchase up to 1.25 million shares of our common stock to be repurchased at the discretion of management from time to time in the open market or through privately negotiated transactions. The repurchase program has no set expiration date and may be suspended or discontinued at any time. The Company did not repurchase any securities under this program for the nine months ended December 31, 2009. Since June 2008, the Company has repurchased 492,827 shares of common stock, for an aggregate purchase price of approximately \$1,954,000, leaving 757,173 shares available for repurchase under this program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

(a) Exhibits

Exhibit

Number

Document Description

| | |
|-------|---|
| 3.1 | Restated Certificate of Incorporation, dated June 30, 1992 and amended September 17, 1999 (filed as Exhibit 3.1 to Repligen Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999 and incorporated herein by reference). (File No. 000-14656) |
| 3.2 | Certificate of Designation of Series A Junior Participating Preferred Stock dated March 4, 2003 (filed as Exhibit A of Exhibit 1 to Repligen Corporation's Registration Statement on Form 8-A filed March 4, 2003 and incorporated herein by reference). (File No. 000-14656) |
| 3.3 | Amended and Restated By-laws (filed as Exhibit 3.2 to Repligen Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003 and incorporated herein by reference). (File No. 000-14656) |
| 31.1+ | Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer. |
| 31.2+ | Rule 13a-14(a)/15d-14(a) Certification of Principal Financial and Accounting Officer. |
| 32.1+ | Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

+ Filed herewith.

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SIGNATURES

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

REPLIGEN CORPORATION

Date: February 4, 2010

BY: */s/* WALTER C. HERLIHY
Walter C. Herlihy
Chief Executive Officer and President
(Principal executive officer)
Repligen Corporation

Date: February 4, 2010

BY: */s/* WILLIAM J. KELLY
William J. Kelly
Chief Financial Officer
(Principal financial and accounting officer)
Repligen Corporation

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