REPLIGEN CORP
Form 10-Q
May 05, 2016
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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 March 31, 2016

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)

Delaware	**04-2729386**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
41 Seyon Street, Bldg. 1, Suite 100	
Waltham, MA	**02453**
(Address of principal executive offices)	**(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 x 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 x No ¨

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

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

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of April 29, 2016.

Class	**Number of Shares**
Common Stock, par value $.01 per share	**33,638,643**

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REPLIGEN CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in thousands, except share data)	March 31, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 53,213	$ 54,092
Marketable securities	16,482	17,682
Accounts receivable, less reserve for doubtful accounts of $19 and $31, respectively	12,574	11,300
Other receivables	331	82
Inventories	21,318	17,998
Prepaid expenses and other current assets	1,327	2,098
Total current assets	105,245	103,252
Property, plant and equipment, net	13,611	13,801
Long-term marketable securities	1,217	1,633
Intangible assets, net	12,455	12,755
Goodwill	14,346	14,346
Restricted cash	450	450
Total assets	$ 147,324	$ 146,237
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable	$ 5,144	$ 6,724
Accrued liabilities	10,677	12,057
Total current liabilities	15,821	18,781
Other long-term liabilities	2,617	4,708
Commitments and contingencies (Note 11)		
Stockholders equity:		
Preferred stock, $.01 par value, 5,000,000 shares authorized, no shares issued or outstanding		
Common stock, $.01 par value, 80,000,000 shares authorized, 33,097,903 shares at March 31, 2016 and 32,949,353 shares at December 31, 2015 issued and outstanding	331	329
Additional paid-in capital	205,142	202,527
Accumulated other comprehensive loss	(6,670)	(8,566)
Accumulated deficit	(69,917)	(71,542)

Total stockholders equity	128,886	122,748
Total liabilities and stockholders equity	$ 147,324	$ 146,237

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

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REPLIGEN CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(in thousands, except share and per share data)	Three months ended March 31, 2016	2015
Product revenue	$ 25,094	$ 20,816
Operating expenses:		
Cost of product revenue	11,069	8,073
Research and development	1,539	1,568
Selling, general and administrative	7,018	6,026
Contingent consideration fair value adjustments	2,005	1,111
Total operating expenses	21,631	16,778
Income from operations	3,463	4,038
Investment income	61	37
Interest expense	(5)	(9)
Other income (expense)	(979)	132
Income before income taxes	2,540	4,198
Income tax provision	915	1,268
Net income	$ 1,625	$ 2,930
Earnings per share:		
Basic	$ 0.05	$ 0.09
Diluted	$ 0.05	$ 0.09
Weighted average shares outstanding:		
Basic	33,024,681	32,754,862
Diluted	33,493,575	33,450,611
Other comprehensive income:		
Unrealized gain (loss) on investments	15	(17)
Foreign currency translation gain (loss)	1,881	(3,849)
Comprehensive income (loss)	$ 3,521	$ (936)

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

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REPLIGEN CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)	**Three months ended March 31,**	
	2016	**2015**
Cash flows from operating activities:		
Net income	$ 1,625	$ 2,930
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	1,150	1,150
Stock-based compensation expense	922	702
Deferred tax expense		87
Loss on revaluation of contingent consideration	2,005	1,111
Loss on disposal of assets	3	
Changes in assets and liabilities:		
Accounts receivable	(1,149)	(7,237)
Other receivables	(249)	(155)
Inventories	(3,092)	(514)
Prepaid expenses and other current assets	781	314
Accounts payable	(1,600)	435
Accrued liabilities	(4,277)	1,380
Long-term liabilities	70	(2,508)
Net cash used in operating activities	(3,811)	(2,305)
Cash flows from investing activities:		
Purchases of marketable securities	(3,969)	(3,287)
Redemptions of marketable securities	5,600	4,838
Purchases of property, plant and equipment	(431)	(1,272)
Net cash provided by investing activities	1,200	279
Cash flows from financing activities:		
Exercise of stock options	821	402
Payment of contingent considerations	(498)	(99)
Net cash provided by financing activities	323	303
Effect of exchange rate changes on cash and cash equivalents	1,409	(2,430)
Net increase (decrease) in cash and cash equivalents	(879)	(4,153)
Cash and cash equivalents, beginning of period	54,092	35,363
Cash and cash equivalents, end of period	$ 53,213	$ 31,210

Supplemental disclosure of non-cash activities:				
Income taxes paid	$	1,039	$	1,100
Payment of contingent consideration in common stock	$	875	$	

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

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REPLIGEN CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

The consolidated 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 consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes thereto included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

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.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Repligen Sweden AB and Repligen Singapore Pte. Ltd. All significant intercompany accounts and transactions have been eliminated in consolidation.

In the opinion of management, the accompanying unaudited consolidated 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.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in Accounting Standards Codification Topic 605, *Revenue Recognition*, and creates a new Topic 606, *Revenue from Contracts with Customers*. Two adoption methods are permitted: retrospectively to all prior reporting periods presented, with certain practical expedients permitted; or retrospectively with the cumulative effect of initially adopting the ASU recognized at the date of initial application. The FASB has issued several updates to this ASU. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, which deferred the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2017. Early adoption is permitted as of annual reporting periods beginning after December 15, 2016. In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net), which clarifies the implementation guidance on principal versus agent considerations. Additionally, in April 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, which clarifies the implementation guidance on identifying performance obligations in a contract and determining whether an entity s promise to grant a license provides a customer with either a right to use the entity s intellectual property (which is satisfied at a point in time) or a right to access the entity s intellectual property (which is satisfied over time). The

Company has not yet determined which adoption method it will utilize or the effect that the adoption of this guidance will have on its consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory. (ASU 2015-11) ASU 2015-11 requires inventory be measured at the lower of cost and net realizable value, and options that currently exist for market value be eliminated. ASU 2015-11 defines net realizable value as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The guidance is effective prospectively for reporting periods beginning after December 15, 2016 and interim periods within those fiscal years with early adoption permitted. The Company does not expect the adoption of ASU 2015-11 to have a material impact on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). (ASU 2016-02) ASU 2016-02 requires lessees to recognize a right-of-use asset and a lease liability for most leases. Extensive quantitative and qualitative disclosures, including significant judgments made by management, will be required to provide greater insight into the extent of revenue and expense recognized and expected to be recognized from existing contracts. The accounting applied by a lessor is largely unchanged from that applied under the current standard. The standard must be adopted using a modified retrospective transition approach and provides for certain practical expedients. The ASU is effective for public entities for fiscal years beginning after December 15, 2018, with early adoption permitted. The Company has not yet completed its assessment of the impact of the new standard on its consolidated financial statements.

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In March 2016, the FASB issued ASU No. 2016-09, Compensation Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting , which aims to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, classification of certain items on the statement of cash flows and accounting for forfeitures. The ASU is effective for public entities for fiscal years beginning after December 15, 2016, with early adoption permitted. The Company has not yet completed its assessment of the impact of the new standard on its consolidated financial statements.

2. Revenue Recognition

Product Sales

The Company s revenue recognition policy is to recognize revenues from product sales and services in accordance with ASC 605, *Revenue Recognition*. These standards require that revenues are recognized when persuasive evidence of an arrangement exists, product delivery, including customer acceptance when required, has occurred or services have been rendered, the price is fixed or determinable and collectability 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 the 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 histories and therefore the Company does not require collateral. The Company has had no significant write-offs of uncollectible invoices in the periods presented. When more than one element such as equipment, consumables, and services are contained in a single arrangement, the Company allocates revenue between the elements based on each element s relative selling price, provided that each element meets the criteria for treatment as a separate unit of accounting. An item is considered a separate unit of accounting if it has value to the customer on a stand-alone basis. The selling price of the undelivered elements is determined by the price charged when the element is sold separately, or in cases when the item is not sold separately, by third-party evidence of selling price or management s best estimate of selling price.

The Company s product revenues are from the sale of bioprocessing products, equipment devices, and related consumables used with these equipment devices to customers in the life science and biopharmaceutical industries. On product sales to end customers, revenue is recognized, net of discounts, when both the title and risk of loss have transferred to the customer, as determined by the shipping terms provided there are no uncertainties regarding acceptance, and all obligations have been completed. Generally, our product arrangements for equipment sales are multiple element arrangements, and may include services, such as installation and training, and multiple products, such as consumables and spare parts. In accordance with ASC 605-25, based on terms and conditions of the product arrangements, the Company believes that these services and undelivered products can be accounted for separately from the delivered product element, as the delivered products have value to our customers on a standalone basis. Accordingly, revenue for services not yet performed at the time of product shipment are deferred and recognized as such services are performed. The relative selling price of any undelivered products is also deferred at the time of shipment and recognized as revenue when these products are delivered. For product sales to distributors, the Company recognizes revenue for both equipment and consumables upon delivery to the distributor unless direct shipment to the end user is requested. In this case, revenue is recognized upon delivery to the end user s location. In general, distributors are responsible for shipment to the end customer along with installation, training and acceptance of the equipment by the end customer. Sales to distributors are not contingent upon resale of the product.

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 the 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. Furthermore, there is no customer right of return in our sales agreements. Sales returns and warranty issues are infrequent and have not had a material impact on the Company s financial statements historically.

Shipping and handling fees are recorded as a component of product revenue, with the associated costs recorded as a component of cost of product revenue.

Therapeutics Licensing Agreements

Activities under licensing agreements are evaluated in accordance with ASC 605-25 to determine if they represent a multiple element revenue arrangement. The Company identifies the deliverables included within the agreement and evaluates which deliverables represent separate units of accounting. The Company accounts for those components as separate units of accounting if the following two criteria are met:

The delivered item or items have value to the customer on a stand-alone basis.

If there is a general right of return relative to the delivered items, delivery or performance of the undelivered items is considered probable and within the Company s control.

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Factors considered in this determination include, among other things, whether any other vendors sell the items separately and if the licensee could use the delivered item for its intended purpose without the receipt of the remaining deliverables. If multiple deliverables included in an arrangement are separable into different units of accounting, the Company allocates the arrangement consideration to those units of accounting. The amount of allocable arrangement consideration is limited to amounts that are fixed or determinable. Arrangement consideration is allocated at the inception of the arrangement to the identified units of accounting based on their relative selling price. Revenue is recognized for each unit of accounting when the appropriate revenue recognition criteria are met.

Future milestone payments, if any, under a license agreement will be recognized under the provisions of ASC 605-28, which the Company adopted on January 1, 2011. The Company has elected to recognize a payment that is contingent upon the achievement of a substantive milestone in its entirety in the period in which the milestone is achieved. A milestone is substantive if:

It can only be achieved based in whole or in part on either the Company s performance or the occurrence of a specific outcome resulting from the Company s performance;

There is substantive uncertainty at the date an arrangement is entered into that the event will be achieved; and

It would result in additional payments being due to the entity.

The commercial milestone payments and royalty payments received under license agreements, if any, will be recognized as revenue when they are earned.

Sale of Intellectual Property to BioMarin

In January 2014, the Company entered into an asset purchase agreement (the BioMarin Asset Purchase Agreement) with BioMarin Pharmaceutical Inc. (BioMarin) to sell Repligen s histone deacetylase inhibitor (HDACi) portfolio. Pursuant to the terms of the BioMarin Asset Purchase Agreement, the Company received $2 million from BioMarin as an upfront payment on January 30, 2014 and a $125,675 payment on September 3, 2014 upon completion of the Technology Transfer. The Company is entitled to receive up to $160 million in potential future milestone payments for the development, regulatory approval and commercial sale of portfolio compounds included in the agreement. These potential milestone payments are approximately 37% related to clinical development and 63% related to initial commercial sales in specific geographies. In addition, Repligen is eligible to receive royalties on sales of therapeutic products originating from the HDACi portfolio. The royalty rates are tiered and begin in the mid-single-digits for the first HDACi portfolio product and for the first non-HDACi portfolio product with lesser amounts for any backup products developed under the BioMarin Asset Purchase Agreement. Repligen s receipt of these royalties is subject to customary offsets and deductions. There are no refund provisions in this agreement. Any milestones earned upon specified clinical development or commercial sales events or future royalty payments, under the BioMarin Asset Purchase Agreement will be recognized as revenue when they are earned.

Activities under this agreement were evaluated in accordance with ASC 605-25 to determine if they represented a multiple element revenue arrangement. The Company identified the following deliverables in the BioMarin agreement:

The assignment by Repligen to BioMarin of the Repligen Technology (Repligen Know-How and Repligen Patents) and the Scripps Agreement (the Transferred Assets);

The transfer of certain notebooks, data, documents, biological materials (if any) and other such documents in our possession that might be useful to further development of the program (the Technology Transfer).

Two criteria must be met in order for a deliverable to be considered a separate unit of accounting. The first criterion requires that the delivered item or items have value to the customer on a stand-alone basis. The second criterion, which relates to evaluating a general right of return, is not applicable because such a provision does not exist in the BioMarin Asset Purchase Agreement. The deliverables outlined above were deemed to have stand-alone value and to meet the criteria to be accounted for as separate units of accounting. Factors considered in this determination included, among other things, BioMarin s right under the agreement to assign the Transferred Assets, whether any other vendors sell the items separately and if BioMarin could use the delivered item for its intended purpose without the receipt of the remaining deliverables. If multiple deliverables included in an arrangement are separable into different units of accounting, the multiple-element arrangements guidance addresses how to allocate the arrangement consideration to those units of accounting. The amount of allocable arrangement consideration is limited to amounts that are fixed or determinable. Arrangement consideration is allocated at the inception of the arrangement to the identified units of accounting based on their relative selling price.

The Company identified the arrangement consideration to allocate among the units of accounting as the $2.0 million non-refundable up-front payment and the $125,675 payment to be received upon completion of the Technology Transfer. The Company excluded the potential milestone payments provided for in the BioMarin Asset Purchase Agreement from the arrangement consideration as they were not considered fixed or determinable at the time the BioMarin Asset Purchase Agreement was signed. Because Repligen had not

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sold these items on a standalone basis previously, Repligen had no vendor-specific objective evidence of selling price. Furthermore, Repligen did not have detailed third-party evidence of selling price, and as a result we used our best estimate of selling price for each item. In determining these prices, Repligen considered what Repligen would be willing to sell the items for on a standalone basis, what the market would bear for such items and what another party might charge for these items.

The up-front arrangement consideration allocated to the Transferred Assets was recognized upon execution of the BioMarin Asset Purchase Agreement as the risks and rewards associated with the Transferred Assets transferred at that time. The Company used a discounted cash flow analysis to determine the value of the Transferred Assets. Key assumptions in the analysis included: the estimated market size for a compound targeted at Friedreich s Ataxia, the estimated remaining costs of development and time to commercialization, and the probability of successfully developing and commercializing the program. Based on this analysis, the Company allocated $2,115,000 to the value of the Transferred Assets. However, as the recognized revenue is limited to the non-contingent consideration received, the Company recognized $2,000,000, the amount of the up-front payment, as revenue in the three months ended March 31, 2014.

In addition to the $2.1 million up-front payment, the Company is also eligible to receive up to $160 million in potential milestone payments from BioMarin comprised of:

- Up to $60 million related to the achievement of specified clinical and regulatory milestone events; and

- Up to $100 million related to the achievement of specified commercial sales events, specifically the first commercial sale in specific territories.

The Company evaluated the potential milestones in accordance with ASC 605-28, which allows an entity to make an accounting policy election to recognize a payment that is contingent upon the achievement of a substantive milestone in its entirety in the period in which the milestone is achieved. This evaluation included an assessment of the risks that must be overcome to achieve the respective milestone as well as whether the achievement of the milestone was due in part to our initial clinical work, the level of effort and investment required to achieve the respective milestone and whether the milestone consideration is reasonable relative to all deliverables and payment terms in the arrangement. There is considerable judgment involved in determining whether a milestone satisfies all of the criteria required to conclude that a milestone is substantive. Milestones that are not considered substantive are recognized as earned if there are no remaining performance obligations or over the remaining period of performance, assuming all other revenue recognition criteria are met.

The Company believes that the $60 million of specified clinical and regulatory milestone payments are substantive. Therefore, any such milestones achieved will be recognized as revenue when earned.

Any milestones achieved upon specified commercial sales events or future royalty payments are considered contingent revenue under the BioMarin Asset Purchase Agreement, and will be recognized as revenue when they are earned as there are no undelivered elements remaining and no continuing performance obligations under the arrangement.

3. Accumulated Other Comprehensive Income

The following table summarizes the changes in accumulated other comprehensive income by component (in thousands):

(In thousands)	Unrealized gain (loss) on investments	Foreign currency translation gain (loss)	Total
Balance at December 31, 2015	$ (11)	$ (8,555)	$ (8,566)
Other comprehensive income	15	1,881	1,896
Balance at March 31, 2016	$ 4	$ (6,674)	$ (6,670)

4. Earnings Per Share

The Company reports earnings per share in accordance with Accounting Standards Codification Topic 260, Earnings Per Share, which establishes standards for computing and presenting earnings per share. Basic earnings per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares and dilutive common share equivalents then outstanding. Potential common share equivalents consist of restricted stock awards and the incremental common shares issuable upon the exercise of stock options. Under the treasury stock method,

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unexercised in-the-money stock options and warrants are assumed to be exercised at the beginning of the period or at issuance, if later. The assumed proceeds are then used to purchase common shares at the average market price during the period. Share-based payment awards that entitle their holders to receive non-forfeitable dividends before vesting are considered participating securities and are considered in the calculation of basic and diluted earnings per share. There were no such participating securities outstanding during the three-month periods ended March 31, 2016 and 2015.

Basic and diluted weighted average shares outstanding were as follows:

	Three Months Ended March 31,	
	2016	2015
Weighted average common shares	33,024,681	32,754,862
Dilutive common stock options and restricted stock units	468,894	695,749
Weighted average common shares, assuming dilution	33,493,575	33,450,611

At March 31, 2016, there were outstanding options to purchase 1,312,508 shares of the Company s common stock at a weighted average exercise price of $11.50 per share. For the three-month period ended March 31, 2016, 520,030 options to purchase 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 March 31, 2015, there were outstanding options to purchase 1,295,312 shares of the Company s common stock at a weighted average exercise price of $9.44 per share. For the three-month period ended March 31, 2015, 199,580 options to purchase 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.

5. Cash, Cash Equivalents and Marketable Securities

At March 31, 2016 and December 31, 2015, the Company s investments included money market funds as well as short-term and long-term marketable securities. These marketable securities are classified as available-for-sale. Marketable securities are investments with original maturities of greater than 90 days. Long-term marketable securities are securities with maturities of greater than one year. The average remaining contractual maturity of marketable securities at March 31, 2016 is approximately 4.12 months.

Management reviewed the Company s investments as of March 31, 2016 and December 31, 2015 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 in an unrealized loss position, 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.

Investments in marketable securities consisted of the following at March 31, 2016 (in thousands):

	March 31, 2016			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Marketable securities:				
U.S. Government and agency securities	$ 5,778	$	$	$ 5,778
Corporate and other debt securities	10,700	7	(3)	10,704
	16,478	7	(3)	16,482
Long-term marketable securities:				
U.S. Government and agency securities	417			417
Corporate and other debt securities	800			800
	1,217			1,217
Total	$ 17,695	$ 7	$ (3)	$ 17,699

At March 31, 2016, the Company s investments included sixteen securities in unrealized loss positions with a total unrealized loss of approximately $3,000 and a total fair market value of approximately $6,122,000. All investments with gross unrealized losses have been in unrealized loss positions for less than 12 months. The unrealized losses were caused primarily by current economic and market conditions. There was no change in the credit risk of the securities. There were no realized gains or losses on the investments for the three months ended March 31, 2016 or the three months ended March 31, 2015.

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Investments in marketable securities consisted of the following at December 31, 2015 (in thousands):

	December 31, 2015			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Marketable securities:				
U.S. Government and agency securities	$ 7,029	$	$ (6)	$ 7,023
Corporate and other debt securities	10,659	7	(7)	10,659
	17,688	7	(13)	17,682
Long-term marketable securities:				
U.S. Government and agency securities	838		(2)	836
Corporate and other debt securities	800		(3)	797
	1,638		(5)	1,633
Total	$ 19,326	$ 7	$ (18)	$ 19,315

The contractual maturities of money market funds and marketable securities at March 31, 2016 were as follows:

	Amortized Cost	Fair Value
Due in 1 year or less	$ 16,478	$ 16,482
Due in 1 to 2 years	1,217	1,217
	$ 17,695	$ 17,699

6. Inventories

Inventories relate to the Company s bioprocessing business. The Company values inventory at cost or, if lower, 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 3 to 12 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. Reserves for excess and obsolete inventory were approximately $343,000 at March 31, 2016 and December 31, 2015.

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 have been no material adjustments related to a

revised estimate of inventory valuations.

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

	March 31, 2016	December 31, 2015
Raw Materials	$ 12,576	$ 10,671
Work-in-process	3,387	1,586
Finished products	5,355	5,741
Total	$ 21,318	$ 17,998

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7. Property, Plant and Equipment

Property, plant and equipment consist of the following (in thousands):

	March 31, 2016	December 31, 2015
Leasehold improvements	$ 13,365	$ 13,306
Equipment	14,418	13,758
Furniture and fixtures	2,961	2,808
Construction in progress	282	425
Total property, plant and equipment	31,026	30,297
Less: accumulated depreciation	(17,415)	(16,496)
Property, plant and equipment, net	$ 13,611	$ 13,801

Depreciation expense totaled approximately $751,000 and $749,000 for the three-month periods ended March 31, 2016 and 2015, respectively.

8. Intangible Assets

Intangible assets, except for the Refine Technology, LLC tradename and in-process research and development, are amortized over their useful lives using the estimated economic benefit method, as applicable, and the amortization expense is recorded within selling, general and administrative expense in the Company s statements of comprehensive income (loss). The Refine Technology, LLC tradename and in-process research and development are not amortized. The Company reviews its indefinite-lived intangible assets not subject to amortization to determine if adverse conditions exist or a change in circumstances exists that would indicate an impairment. Intangible assets and their related useful lives are reviewed at least annually to determine if any adverse conditions exist that would indicate the carrying value of these assets may not be recoverable. More frequent impairment assessments are conducted if certain conditions exist, including a change in the competitive landscape, any internal decisions to pursue new or different technology strategies, a loss of a significant customer, or a significant change in the marketplace, including changes in the prices paid for our products or changes in the size of the market for our products. An impairment results if the carrying value of the asset exceeds the estimated fair value of the asset. If the estimate of an intangible asset s remaining useful life is changed, the remaining carrying amount of the intangible asset is amortized prospectively over the revised remaining useful life. The Company continues to believe that its intangible assets are recoverable at March 31, 2016.

Intangible assets consisted of the following at March 31, 2016 (in thousands):

	Gross Carrying Amount	Accumulated Amortization	Weighted Average Useful Life (in years)
Technology developed	$ 3,315	$ (854)	12

In process research and development	1,600		
Patents	240	(185)	8
Customer relationships	11,985	(4,346)	9
Trademark/ tradename	700		
Total intangible assets	$ 17,840	$ (5,385)	10

Intangible assets consisted of the following at December 31, 2015 (in thousands):

	Gross Carrying Amount	Accumulated Amortization	Weighted Average Useful Life (in years)
Technology developed	$ 3,295	$ (782)	12
In process research and development	1,600		
Patents	240	(177)	8
Customer relationships	11,805	(3,926)	9
Trademark/ tradename	700		
Total intangible assets	$ 17,640	$ (4,885)	10

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Amortization expense for amortized intangible assets was approximately $399,000 and $401,000 for the three months ended March 31, 2016 and 2015, respectively. As of March 31, 2016, the Company expects to record amortization expense as follows (in thousands):

Years Ending	Amortization Expense
December 31, 2016 (nine months remaining)	$ 1,279
December 31, 2017	1,705
December 31, 2018	1,541
December 31, 2019	1,526
December 31, 2020	1,190

9. Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

	March 31, 2016	December 31, 2015
Employee compensation	$ 2,888	$ 4,680
Taxes	9	166
Current portion of contingent consideration	4,168	4,480
Professional fees	485	269
Unearned revenue	411	258
Other accrued expenses	2,716	2,204
Total	$ 10,677	$ 12,057

10. Stock-Based Compensation

For the three months ended March 31, 2016 and 2015, the Company recorded stock-based compensation expense of approximately $922,000 and $702,000, respectively, for share-based awards granted under the Second Amended and Restated 2001 Repligen Corporation Stock Plan (the 2001 Plan) and the Repligen Corporation Amended and Restated 2012 Stock Option and Incentive Plan (the 2012 Plan, and collectively with the 2001 Plan and the 1992 Repligen Corporation Stock Option Plan, the Plans).

The following table presents stock-based compensation expense included in the Company s consolidated statements of comprehensive income (loss):

	Three Months Ended March 31,	
	2016	2015
Cost of product revenue	$ 60	$ 43
Research and development	80	69
Selling, general and administrative	782	590

Total	$ 922	$ 702

The 2012 Plan allows for the granting of incentive and nonqualified options to purchase shares of common stock, restricted stock and other equity awards. Incentive options granted to employees under the Plans generally vest over a three to five-year period, with 20%-33% 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 under the Plans generally vest over one year. Options granted under the Plans 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 March 31, 2016, options to purchase 1,312,508 shares were outstanding under the Plans. At March 31, 2016, 2,085,727 shares were available for future grant under the 2012 Plan.

The Company uses the Black-Scholes option pricing model to calculate the fair value of stock option awards on the grant date, and the Company uses the value of the common stock as of the grant date to value restricted stock units. The Company measures stock-based compensation cost at the grant date based on the estimated fair value of the award, and recognizes awards with service based vesting as expense over the employee s requisite service period on a straight-line basis. The Company records the expense for share-based awards subject to performance-based milestone vesting over the remaining service period when management determines that achievement of the milestone is probable. Management evaluates whether the achievement of a performance-based milestone is probable as of the reporting date. The Company has no awards that are performance-based or subject to market conditions. The Company recognizes stock-based compensation expense for options that are ultimately expected to vest, and accordingly, such compensation expense has been adjusted for estimated forfeitures.

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Information regarding option activity for the three months ended March 31, 2016 under the Plans is summarized below:

	Options Outstanding	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Options outstanding at January 1, 2016	1,240,935	$ 10.44		
Granted	244,220	13.44		
Exercised	(113,747)	6.86		
Forfeited/Cancelled	(58,900)	6.15		
Options outstanding at March 31, 2016	1,312,508	$ 11.50	7.34	$ 20,679
Options exercisable at March 31, 2016	517,769	$ 7.91	5.11	$ 9,792
Vested and expected to vest at March 31, 2016 (1)	1,221,408	$ 11.61	7.26	$ 19,133

(1) This represents the number of vested options as of March 31, 2016 plus the number of unvested options expected to vest as of March 31, 2016 based on the unvested outstanding options at March 31, 2016 adjusted for 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 March 31, 2016 of $26.82 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 March 31, 2016.

The weighted average grant date fair value of options granted during the three months ended March 31, 2016 and 2015 was $19.57 and $19.67, respectively. The total fair value of stock options that vested during the three months ended March 31, 2016 and 2015 was approximately $1,387,000 and $671,000, respectively.

As of March 31, 2016, there was approximately $9,764,000 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 2.93 years. The Company expects 703,639 unvested options to vest over the next five years.

11. Income Taxes

For the three months ended March 31, 2016, the Company had income before taxes of approximately $2,540,000 and recorded a tax provision of approximately $915,000 for an effective tax rate of approximately 36.0%. For the three months ended March 31, 2015, the Company had income before taxes of approximately $4,198,000 and recorded a tax provision of $1,268,000 for an effective tax rate of approximately 30.2%. This was based on expected effective tax rates of 26.5% and 25.9% for the years ending December 31, 2016 and 2015, respectively. The effective income tax

rate is based upon the forecasted income by jurisdiction. The effective tax rate for the three months ended March 31, 2016 is higher than the U.S. statutory tax rate mainly due to the tax treatment of contingent consideration expense. The effective tax rate for the three months ended March 31, 2015 is lower than the U.S. statutory tax rate due to the lower statutory tax rate in Sweden.

The Company has net operating loss carryforwards of approximately $46,984,000 and business tax credit carryforwards of approximately $1,920,000 available to reduce future federal income taxes, if any. The net operating loss and business tax credits carryforwards will continue to expire at various dates through December 2035. Net operating loss carryforwards and available tax credits 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, 2015, we concluded that realization of deferred tax assets beyond December 31, 2015 is not more likely than not, and as such, as of December 31, 2015 we maintained a valuation allowance against the majority of our remaining deferred tax assets. As of March 31, 2016, we concluded that realization of deferred tax assets beyond March 31, 2016 is not more likely than not, and as such, as of March 31, 2016 we maintained a valuation allowance against the majority of our remaining deferred tax assets.

The fiscal years ended December 31, 2012, 2013, 2014 and 2015 are subject to examination by U.S. federal, state and Sweden taxing authorities.

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12. 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

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 fixed income investments are comprised of obligations of U.S. government agencies and corporate marketable securities. These investments have been initially valued at the transaction price and subsequently valued, at the end of each reporting period, utilizing third party pricing services or other market observable data. The pricing services utilize industry standard valuation models, including both income and market based approaches and observable market inputs to determine value. These observable market inputs include reportable trades, benchmark yields, credit spreads, broker/dealer quotes, bids, offers, current spot rates and other industry and economic events. At least annually, the Company validates the prices provided by third party pricing services by reviewing their pricing methods and matrices, obtaining market values from other pricing sources, analyzing pricing data in certain instances and confirming that the relevant markets are active. The Company did not adjust or override any fair value measurements provided by the pricing services as of March 31, 2016.

The following fair value hierarchy table presents information about each major category of the Company s assets measured at fair value on a recurring basis as of March 31, 2016 (in thousands):

	Fair value measurement at reporting date using:			
	Quoted prices in active markets for identical assets	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total

		(Level 1)			
Assets:					
Money market funds		$ 11,331	$	$	$ 11,331
U.S. Government and agency securities		5,896	300		6,196
Corporate and other debt securities			11,503		11,503
Total		$ 17,227	$ 11,803	$	$ 29,030
Liabilities:					
Contingent consideration	short-term			4,018	4,018
Contingent consideration	long-term			145	145
Total		$	$	$ 4,163	$ 4,163

The Company has no other assets or liabilities for which fair value measurement is either required or has been elected to be applied. The liabilities for contingent consideration recorded in connection with the BioFlash Partners, LLC (BioFlash) and Refine Technology, LLC (Refine) business combinations. The contingent consideration related to BioFlash is valued using management s estimates of royalties to be paid to the former shareholders of BioFlash based on sales of the acquired assets. The contingent consideration related to the Refine is valued using management s estimates of expected future milestone payments based on forecasted sales and a portion of any receipts that might be received in connection with the resolution, withdrawal or settlement of certain patent disputes with a third party to be paid to Refine. These valuations are Level 3 valuations as the primary inputs are unobservable.

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Changes in the fair value of contingent consideration in the three-month period ended March 31, 2016 are primarily attributable to an increase to the expected 2016 Refine milestone payment of $1,999,000, a $4,350,000 milestone payment to Refine and a $130,000 minimum royalty payment made to BioFlash, which were previously accrued. The following table provides a rollforward of the fair value of the contingent consideration (in thousands):

Balance at December 31, 2015	$ 6,788
Payments	(4,480)
Changes in fair value	2,005
Balance at March 31, 2016	$ 4,313

The following tables provide quantitative information associated with the fair value measurement of the Company s contingent consideration related to Refine using Level 3 inputs (in thousands):

	Contingent Consideration Refine
Fair value as of March 31, 2016	$4,018
Valuation technique	Probability-adjusted discounted cash flow
Remaining period in which milestones can be achieved	2016

	Fixed Earn-out	Maximum Variable Earn-out	Accrued Balance
2016	4,250	1,300	4,018

The significant unobservable inputs used in the fair value measurement of Refine s contingent consideration are the probabilities of successful achievement of 2016 sales milestones. During the first quarter of 2016, the estimated fair value of the 2016 contingent payment was increased by $1,999,000 to $4,018,000 based on revised sales forecasts. Increases or decreases in the Company s projected sales during 2016 may result in a significantly higher or lower fair value measurement, respectively and could result in a reversal of the current accrual.

There were no remeasurements to fair value during the three months ended March 31, 2016 of financial assets and liabilities that are not measured at fair value on a recurring basis.

13. Commitments and Contingencies

Future minimum rental commitments under the amended lease as of March 31, 2016 are as follows (in thousands):

	Minimum Rental Commitments

2016	$	2,126
2017		1,907
2018		1,437
2019		1,420
2020		1,371
Thereafter		2,700

14. Segment Reporting

The Company views its operations, makes decisions regarding how to allocate resources and manages its 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.

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

	Three months ended March 31,	
	2016	2015
United States	30%	28%
Sweden	24%	38%
United Kingdom	13%	19%
Other	33%	15%
	100%	100%

Revenue from significant customers as a percentage of the Company s total revenue is as follows:

	Three months ended March 31,	
	2016	2015
GE Healthcare	24%	37%
MilliporeSigma	28%	39%

Significant accounts receivable balances as a percentage of the Company s total trade accounts receivable are as follows:

	March 31, 2016	December 31, 2015
GE Healthcare	45%	13%
MilliporeSigma	20%	32%
Bioprocessing Customer C		21%

15. Subsequent Event Acquisition of Atoll GmbH

On April 1, 2016, pursuant to the terms of a Share Purchase Agreement dated as of March 31, 2016, Repligen Sweden AB, a wholly-owned subsidiary of the Company, acquired Atoll GmbH (Atoll) from UV-Cap GmbH & Co. KG (the Seller). Atoll, headquartered in Weingarten, Germany, is an innovator and manufacturer of MediaScout® pre-packed chromatography columns used in process development and clinical manufacturing of biologic drugs.

Under the terms of the Share Purchase Agreement, Repligen Sweden paid to the Seller in consideration for all of the equity interests in Atoll GmbH a purchase price of $9.1 million in cash and 538,700 shares of the Company s common stock. The Share Purchase Agreement includes a future contingent payment by Repligen Sweden to the Seller consisting of 1.0 million in cash if Atoll s revenue increases by a specified amount from calendar year 2015 to calendar year 2016.

Because the Company is still in the process of valuing acquired assets and liabilities, the Company determined it was impracticable to provide all the disclosures required for a business combination pursuant to ASC 805, *Business Combinations*, and will do so in connection with filing its Form 10-Q as of and for the three- and six-month periods ended June 30, 2016.

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

Overview

We are a bioprocessing company that develops, manufactures and markets innovative products and solutions used to manufacture biologic drugs. Biologics, or principally monoclonal antibodies, recombinant proteins, and vaccines, are produced through a complex process involving the use of live cells to produce the drug, followed by multiple separation and purification processes, where they are used to enhance production yields for the manufacturer while lowering costs and reducing risks through increased process efficiencies.

For over twenty years, we have been a global market leader in native and recombinant forms of Protein A, a critical reagent used in the downstream purification of therapeutic monoclonal antibodies, or mAbs, one of the largest and fastest-growing class of biologic drugs on the market. Our Protein A reagents are currently used in the commercial production of over 50 mAbs, and in clinical stage production of over 300 investigational mAbs. We also supply several growth factor products and cell filtration products used to increase cell culture productivity during the bioproduction process. In the expanding area of flexible biomanufacturing technologies, we have developed and currently market a series of OPUS® chromatography columns for use in clinical-scale manufacturing. These pre-packed, plug-and-play columns are uniquely customizable to our customers media and size requirements.

Through strategic acquisitions and internal product development, we have expanded our portfolio of products that we sell direct to end users (biopharmaceutical companies and contract manufacturing organizations). This expansion includes our acquisition of the Alternating Tangential Flow (ATF) System, which we acquired from Refine Technology LLC, or Refine. The ATF System is a best-in-class device for generating extremely high cell concentrations to allow for improved drug yield and more robust, large scale manufacturing. On June 2, 2014, we purchased all of the assets and assumed certain specified liabilities related to Refine s ATF System. This acquisition strengthened our bioprocessing business by adding a complementary product line while expanding its sales presence worldwide.

Additionally, on April 1, 2016, we acquired Atoll GmbH (Atoll), an innovator and manufacturer of MediaScout® pre-packed chromatography columns used in process development and clinical manufacturing of biologic drugs, from UV-Cap GmbH & Co. KG. This acquisition strengthens and compliments our growing OPUS® product line of pre-packed chromatography columns.

We generally manufacture and sell Protein A and growth factors to life sciences companies under supply agreements and sell our chromatography columns, our media and quality test kits, and our ATF products directly to biopharmaceutical companies or contract manufacturing organizations or through distributors. We refer to these activities as our bioprocessing business. Our manufacturing facilities are located in the United States, Sweden and Germany.

Historically, Repligen also conducted activities aimed at developing proprietary therapeutic drug candidates, often with a potential of entering into a collaboration with a larger commercial stage pharmaceutical or biotechnology company in respect of these programs. As part of our strategic decision in 2012 to focus our efforts on our core bioprocessing business, we reduced our efforts on our clinical development programs and increased our efforts to find collaboration partners to pursue the development and, if successful, the commercialization of these drug programs.

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 critical accounting policies in Management s Discussion and Analysis and our significant accounting policies in Note 2 to the Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2015.

Results of Operations

Three months ended March 31, 2016 vs. March 31, 2015

Revenues

Sales of bioprocessing products for the three months ended March 31, 2016 and 2015 were $25,094,000 and $20,816,000, respectively, representing an increase of $4,278,000, or 21%. This increase was primarily due to increases in orders for our chromatography columns and ATF products from our key bioprocessing customers. Sales of our bioprocessing products are impacted by the timing of orders, development efforts at our customers or end-users and regulatory approvals for biologics that incorporate our products, which may result in significant quarterly fluctuations. Such quarterly fluctuations are expected, but they may not be predictive of future revenue or otherwise indicate a trend.

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Costs and operating expenses

Total costs and operating expenses for the three-month periods ended March 31, 2016 and 2015 were comprised of the following:

	Three months ended March 31,		% Change
	2016	2015	2016 vs. 2015
	(in thousands, except percentages)		
Cost of product revenue	$ 11,069	$ 8,073	37%
Research and development	1,539	1,568	(2%)
Selling, general and administrative	7,018	6,026	16%
Contingent consideration fair value adjustments	2,005	1,111	80%
Total costs and operating expenses	$ 21,631	$ 16,778	29%

Cost of product revenue was approximately $11,069,000 and $8,073,000 for the three-month periods ended March 31, 2016 and 2015, respectively, an increase of $2,996,000 or 37%. This increase is primarily due to the increased product revenue noted above. Gross margins may fluctuate over the remainder of 2016 based on expected production volume and shipments, and product mix.

Research and development expenses were approximately $1,539,000 and $1,568,000 for the three-month periods ended March 31, 2016 and 2015, respectively, a decrease of $29,000 or 2%. This decrease is primarily related to the timing and scale of our bioprocessing product development projects. Expenses generally include personnel costs, external development costs, supplies and other expenses related to our new products in development.

Selling, general and administrative expenses were approximately $7,018,000 and $6,026,000 for the three-month periods ended March 31, 2016 and 2015, respectively, an increase of $992,000, or 16%. This increase is primarily due to the continued buildout of our administrative infrastructure to support future growth, the expansion of our customer-facing activities to drive sales of our bioprocessing products and costs incurred related to the acquisition of Atoll on April 1, 2016.

Contingent consideration fair value adjustments were approximately $2,005,000 and $1,111,000 for the three-month periods ended March 31, 2016 and 2015, respectively, an increase of $894,000 or 80%. The increase in the fair value adjustment during the first quarter of 2016 relates to the increased probability of achieving the 2016 Refine sales milestone.

Investment income

Investment income includes income earned on invested cash balances. Investment income was approximately $61,000 and $37,000 for the three-month periods ended March 31, 2016 and 2015, respectively. This increase of $24,000, or 65%, is primarily attributable to higher average invested cash balances.

Other income (expense)

Other expense was approximately ($979,000) and other income was approximately $132,000 for the three-month periods ended March 31, 2016 and 2015, respectively, and was primarily attributable to foreign currency gains and losses related to amounts due from non-Swedish kronor-based customers and cash balances denominated in U.S. dollars and British pounds held by our Sweden operations.

Provision for income taxes

For the three months ended March 31, 2016, we had income before taxes of approximately $2,540,000 and recorded a tax provision of approximately $915,000 for an effective tax rate of approximately 36.0%. The effective income tax rate is based upon the estimated income for the year and the composition of the income in different jurisdictions. The effective tax rate differs from the U.S. statutory tax rate primarily due to the tax treatment of contingent consideration expense recorded in the first quarter of 2016.

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Non-GAAP Financial Measures

We provide non-GAAP adjusted income from operations, non-GAAP adjusted net income and adjusted EBITDA as supplemental measures to GAAP measures regarding our operating performance. These financial measures exclude the impact of certain acquisition related items and, therefore, have not been calculated in accordance with GAAP. A detailed explanation and a reconciliation of each non-GAAP financial measures to its most comparable GAAP financial measures are described below.

We include this financial information because we believe these measures provide a more accurate comparison of our financial results between periods and more accurately reflect how management reviews its financial results. We excluded the impact of certain acquisition related items because we believe that the resulting charges do not accurately reflect the performance of our ongoing operations for the period in which such charges are incurred.

Non-GAAP Adjusted Income from Operations

Non-GAAP adjusted income from operations is measured by taking income from operations as reported in accordance with GAAP and excluding acquisition costs and contingent consideration expenses booked through our consolidated statements of comprehensive income. The following is a reconciliation of income from operations in accordance with GAAP to non-GAAP adjusted income from operations for the three-month periods ended March 31, 2016 and 2015 (in thousands):

	Three Months Ended March 31,	
	2016	2015
Income from operations	$ 3,463	$ 4,038
Non-GAAP adjustments to income from operations:		
Acquisition costs	393	
Contingent consideration fair value adjustments	2,005	1,111
Non-GAAP adjusted income from operations	$ 5,861	$ 5,149

Non-GAAP Adjusted Net Income

Non-GAAP adjusted net income is measured by taking net income as reported in accordance with GAAP and excluding acquisition costs and contingent consideration expenses booked through our consolidated statements of comprehensive income. The following is a reconciliation of net income in accordance with GAAP to non-GAAP adjusted net income for the three-month periods ended March 31, 2016 and 2015:

	Three Months Ended March 31,			
	2016		2015	
	(in thousands) Amount	Fully Diluted Earnings per Share	(in thousands) Amount	Fully Diluted Earnings per Share
Net income	$ 1,625	$ 0.05	$ 2,930	$ 0.09
Non-GAAP adjustments to net income:				

Acquisition costs	393		0.01		
Contingent consideration fair value adjustments	2,005		0.06	1,111	0.03
Non-GAAP adjusted net income	$ 4,023	$	0.12	$ 4,041	$ 0.12

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Adjusted EBITDA

Adjusted EBITDA is measured by taking net income as reported in accordance with GAAP, excluding investment income, interest expense, taxes, depreciation and amortization, and excluding acquisition costs and contingent consideration expenses booked through our consolidated statements of comprehensive income. The following is a reconciliation of net income in accordance with GAAP to adjusted EBITDA for the three-month periods ended March 31, 2016 and 2015 (in thousands):

	Three Months Ended March 31,	
	2016	2015
Net income	$ 1,625	$ 2,930
Non-GAAP adjustments to net income from operations:		
Investment income	(61)	(37)
Interest expense	5	9
Tax provision	915	1,268
Depreciation	751	749
Amortization	399	401
EBITDA	3,634	5,320
Other non-GAAP adjustments:		
Acquisition costs	393	
Contingent consideration fair value adjustments	2,005	1,111
Adjusted EBITDA	$ 6,032	$ 6,431

Liquidity and capital resources

We have financed our operations primarily through revenues derived from product sales, and research grants, as well as proceeds and royalties from license arrangements and a litigation settlement and sales of equity securities. Our revenue for the foreseeable future will primarily be limited to our bioprocessing product revenue.

At March 31, 2016, we had cash and marketable securities of $70,912,000 compared to $73,407,000 at December 31, 2015. Cash and marketable securities as of March 31, 2016 do not reflect the cash consideration paid to acquire Atoll GmbH (Atoll), as described below. A deposit for leased office space of $450,000 is classified as restricted cash and is not included in cash and marketable securities totals as of March 31, 2016 and December 31, 2015.

On April 1, 2016, pursuant to the terms of a Share Purchase Agreement dated as of March 31, 2016, Repligen Sweden AB, our wholly-owned subsidiary, acquired Atoll from UV-Cap GmbH & Co. KG (the Seller). Under the terms of the Share Purchase Agreement, Repligen Sweden paid to the Seller in consideration for all of the equity interests in Atoll GmbH a purchase price of $9.1 million in cash and 538,700 shares of our common stock. The Share Purchase Agreement includes a future contingent payment by Repligen Sweden to the Seller consisting of 1.0 million in cash if Atoll s revenue increases by a specified amount from calendar year 2015 to calendar year 2016.

Operating activities

For the three-month period ended March 31, 2016, our operating activities consumed cash of $3,811,000 reflecting net income of $1,625,000 and non-cash charges totaling $4,077,000 including depreciation, amortization, stock-based compensation charges and the revaluation of contingent consideration. An increase in accounts receivable consumed $1,149,000 of cash, and was primarily due to the 21% quarter over quarter increase in revenues. An increase in inventories consumed $3,092,000 of cash to support future revenues. A decrease in accounts payable consumed $1,600,000 of cash, which was primarily due to the timing of purchases and payments to vendors. Payments of accrued liabilities consumed $4,277,000 of cash, and was mainly due to the payment of contingent consideration to Refine related to 2015 sales milestones. The remaining cash flow used in operations resulted from net unfavorable changes in various other working capital accounts.

For the three-month period ended March 31, 2015, our operating activities consumed cash of $2,305,000 reflecting net income of $2,930,000 and non-cash charges totaling $3,050,000 including depreciation, amortization, stock-based compensation charges and the revaluation of contingent consideration. An increase in accounts receivable consumed $7,237,000 of cash, and was primarily due to the 28% quarter over quarter increase in revenues as well as timing of sales and payments from customers. The remaining cash flow used in operations resulted from net unfavorable changes in various other working capital accounts.

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Investing activities

We place our marketable security investments in high quality credit instruments as specified in our investment policy guidelines. Our investing activities provided $1,200,000 for the three-month period ended March 31, 2016, primarily due to net redemptions of marketable securities of $1,631,000 offset by $431,000 used for fixed asset additions. For the three-month period ended March 31, 2015, our investing activities provided $279,000, primarily due to net redemptions of marketable debt securities of $1,551,000, offset by $1,272,000 used for fixed asset additions.

Financing activities

For the three-month period ended March 31, 2016 and 2015, our financing activities provided cash of $323,000 and $303,000, respectively. For the three-month period ended March 31, 2016, proceeds from exercises of $821,000 were partially offset by contingent consideration payments of $498,000 which stemmed from the initial valuation of the likelihood that the 2015 ATF sales milestone would be achieved. For the three-month period ended March 31, 2015, proceeds from exercises of $402,000 were partially offset by contingent consideration payments of $99,000 which stemmed from the initial valuation of the likelihood that the 2014 ATF sales milestone would be achieved.

We do not currently use derivative financial instruments.

Working capital increased by approximately $4,953,000 to $89,424,000 at March 31, 2016 from $84,471,000 at December 31, 2015 due to the various changes noted above.

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

- the expansion of our bioprocessing business;
- the ability to sustain sales and profits of our bioprocessing products;
- market acceptance of our new products;
- our ability to acquire additional bioprocessing products;
- the resources required to successfully integrate the acquisitions of Refine and Atoll and recognize expected synergies;
- the scope of and progress made in our research and development activities;
- the extent of any share repurchase activity; and

the success of any proposed financing efforts.

Absent acquisitions of additional products, product candidates or intellectual property, we believe our current cash balances are adequate to meet our cash needs for at least the next 24 months. We expect operating expenses in the year ending December 31, 2016 to increase as we continue to expand our bioprocessing business. We expect to incur continued spending related to the development and expansion of our bioprocessing product lines and expansion of our commercial capabilities for the foreseeable future. Our future capital requirements may include, but are not limited to, purchases of property, plant and equipment, the acquisition of additional bioprocessing products and technologies to complement our existing manufacturing capabilities, and continued investment in our intellectual property portfolio.

We plan to continue to invest in our bioprocessing business and in key research and development activities associated with the development of new bioprocessing products. We actively evaluate various strategic transactions on an ongoing basis, including monetizing existing assets and 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 additional 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 do not have any special purpose entities or off-balance sheet financing arrangements as of March 31, 2016.

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Contractual obligations

As of March 31, 2016, we had the following fixed obligations and commitments:

		Payments Due by Period			
(In thousands)	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
Operating lease obligations	$ 10,961	$ 2,126	$ 3,278	$ 2,808	$ 2,749
Purchase obligations[1]	5,729	5,729			
Contingent consideration[2]	4,313	4,168	145		
Total	$ 21,003	$ 12,023	$ 3,423	$ 2,808	$ 2,749

(1) Primarily represents purchase orders for the procurement of raw material for manufacturing.

(2) Represents the current estimated fair value of contingent consideration amounts relating to the Bioflash and Refine acquisitions and does not include any contingent consideration related to the acquisition of Atoll. These amounts are recorded in accrued expenses and long term liabilities on our consolidated balance sheets.

Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains 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 Exchange Act). 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, express or implied statements or guidance regarding current or future financial performance and position, potential impairment of future earnings, management s strategy, plans and objectives for future operations or acquisitions, product development and sales, litigation strategy, product candidate research, development and regulatory approval, selling, general and administrative expenditures, intellectual property, development and manufacturing plans, availability of materials and product and adequacy of capital resources and financing plans constitute forward-looking statements. Such forward-looking statements are subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated, including, without limitation, risks associated with: the success of current and future collaborative or supply relationships, including our agreement with BioMarin and General Electric, our ability to successfully grow our bioprocessing business, including as a result of acquisition, commercialization or partnership opportunities, 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, reduced demand for our products that adversely impacts our future revenues, cash flows, results of operations and financial condition, our ability to compete with larger, better financed life sciences companies, our history of losses and expectation of incurring losses, our ability to generate future revenues, our ability to successfully integrate Repligen Sweden, Refine and Atoll, our ability to raise additional capital to fund potential acquisitions, 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 December 31, 2015 and in this Quarterly Report on Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate risk

We have investments in commercial paper, U.S. Government and agency securities as well as corporate bonds and other debt 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 $61,000 decrease in the fair value of our investments as of March 31, 2016. 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 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.

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Foreign exchange risk

The reporting currency of the Company is U.S. dollars. Transactions by our subsidiary, Repligen Sweden, may be denominated in Swedish kronor, British pound sterling, U.S. dollars, or in Euros while the entity s functional currency is the Swedish krona. Certain sales transactions made by the U.S. entity related to ATF system products are denominated in foreign currencies. Exchange gains or losses resulting from the translation between the transactional currency and the functional currency are included in net income (loss). Fluctuations in exchange rates may adversely affect our results of operations, financial position and cash flows. We currently do not seek to hedge this exposure to fluctuations in exchange rates.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure 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.

Changes in Internal Control

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 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

The matters discussed in this Form 10-Q include forward-looking statements that involve risks or uncertainties. These statements are neither promises nor guarantees, but are based on various assumptions by management regarding future circumstances, over many of which Repligen has little or no control. A number of important risks and uncertainties, including those identified under the caption Risk Factors in Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2015 and subsequent filings as well as risks and uncertainties discussed elsewhere in this Form 10-Q, could cause our actual results to differ materially from those in the forward-looking statements. There are no material changes to the Risk Factors described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, other than as set forth below to update for the acquisition of the Atoll business.

Our acquisitions , such as our recent acquisition of Atoll GmbH, expose us to risks that could adversely affect our business, and we may not achieve the anticipated benefits of acquisitions of business or technologies. Moreover, our expanded commercial and manufacturing footprint in Europe as a result of our acquisition of Atoll GmbH may divert our resources from other aspects of our business, and will subject us to additional and different regulations. Failure to manage these economic, financial, business and regulatory risks may adversely impact our growth in Europe and other results of operations.

In April 2016, we acquired Atoll GmbH, a business based in Germany (the Atoll Acquisition). Any acquisition involves numerous risks and operational, financial, and managerial challenges, including difficulties in integrating new operations, or underperformance of any acquired technologies or products relative to our expectations and the price we paid. Furthermore, we expect a portion of our future revenue growth to come from introducing new products and technologies from our Atoll Acquisition, such as the MediaScout® pre-packed chromatography columns. The commercial success will depend on, among other factors, our successful integration of the Atoll business, and the acceptance of the new products and technologies by the life science and biopharmaceutical industries. As a result, there can be no assurance that these new products and technologies, even if successfully developed and introduced, will be accepted by customers. If customers do not adopt our new products and technologies, our results of operations may suffer and, as a result, the market price of our common stock may decline. Moreover, in connection with the Atoll Acquisition, we expanded our commercial and manufacturing footprint into Europe that may require us to make substantial investment, which could divert resources from other aspects of our business. In addition, we may incur difficulties in staffing and managing our European operations, and face fluctuations in currency exchange rates, exposure to additional regulatory requirements, including certain trade barriers, changes in political and economic conditions, and exposure to additional and potentially adverse tax regimes. Our success in Europe will depend, in part, on our ability to anticipate and effectively manage these and other risks. Our failure to manage these risks may adversely affect our growth in Europe and lead to increased administrative costs.

We may record a significant amount of intangible assets in connection with the Atoll Acquisition, and if the value of our recorded intangible assets become impaired, we could have to take significant charges against

earnings.

In connection with the accounting for the Novozymes Acquisition and the Refine Acquisition, we recorded a significant amount of intangible assets, including developed technology and customer relationships. In connection with the Atoll Acquisition, we may have to record a significant amount of intangible assets. Under U.S. GAAP, we must assess, at least annually and potentially more frequently, whether the value of intangible assets has been impaired. Intangible assets will be assessed for impairment in the event of an impairment indicator. Any reduction or impairment of the value of intangible assets will result in a charge against earnings, which could materially adversely affect our results of operations and shareholders equity in future periods.

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. We did not repurchase any shares of common stock during the three-month period ended March 31, 2016. As of March 31, 2016, there are 657,173 shares remaining under this authorization.

In June 2014, in connection with the Refine Acquisition, we issued and sold 215,285 unregistered shares of our common stock to Refine

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Technology, LLC, an accredited investor, in exchange for certain of Refine s assets and contract rights related to its ATF system. This issuance was intended to be exempt from the registration requirements pursuant to Section 4(2) of the Securities Act of 1933 and Rule 506(b) promulgated under Regulation D.

In April 2016, in connection with the acquisition of the Atoll business, we issued and contributed 538,700 shares of our common stock to our wholly-owned subsidiary, Repligen Sweden AB, to enable Repligen Sweden AB to fulfill its obligation to deliver the aforementioned shares under the share purchase agreement we entered into with Repligen Sweden AB and the seller of Atoll GmbH. This issuance was intended to be exempt from the registration requirements pursuant to Section 4(2) of the Securities Act of 1933 and Rule 506(b) promulgated under Regulation D.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES
None.

ITEM 4. MINE SAFETY DISCLOSURES
Not applicable.

ITEM 5. OTHER INFORMATION
None.

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	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)
3.3	Amendment No. 1 to the Amended and Restated By-Laws (filed as Exhibit 3.1 to Repligen Corporation s Current Report on Form 8-K filed on December 20, 2011 and incorporated herein by reference).
3.4	Amendment No. 2 to the Amended and Restated By-Laws (filed as Exhibit 3.1 to Repligen Corporation s Current Report on Form 8-K filed on May 25, 2012 and incorporated herein by reference).

3.5	Certificate of Amendment to the Certificate of Incorporation of Repligen Corporation, effective as of May 16, 2014 (filed as Exhibit 3.1 to Repligen Corporation s Current Report on Form 8-K filed on May 19, 2014 and incorporated herein by reference).
10.1 + ±	Strategic Supplier Alliance Agreement, by and between GE Healthcare Bio-Sciences AB and Repligen Corporation, dated as of January 28, 2010, as amended to date.
10.2 + ±	Strategic Supplier Alliance Agreement Contract Manufacturing, by and between GE Healthcare Bio-Sciences AB and Repligen Sweden AB (as successor-in-interest to Novozymes Biopharma Sweden AB), dated as of July 7, 2011, as amended to date.
31.1 +	Rule 13a-14(a)/15d-14(a) Certification.
31.2 +	Rule 13a-14(a)/15d-14(a) Certification.
32.1 *	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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Exhibit Number	Document Description
101+	The following materials from Repligen Corporation on Form 10-Q for the quarterly period ended March 31, 2016, formatted in Extensible Business Reporting Language (xBRL): (i) Condensed Consolidated Statements of Comprehensive Income (Loss), (ii) Condensed Consolidated Balance Sheets, (iii) Condensed Consolidated Statements of Cash Flows, and (iv) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text.

+ Filed herewith.
* Furnished herewith.
± Confidential treatment has been requested for portions of the exhibit and is pending clearance with the Securities and Exchange Commission.

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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: May 5, 2016 By: /s/ TONY J. HUNT
Tony J. Hunt
President and Chief Executive Officer
(Principal executive officer)
Repligen Corporation

Date: May 5, 2016 By: /s/ JON SNODGRES
Jon Snodgres
Chief Financial Officer
(Principal financial officer)
Repligen Corporation