ENANTA PHARMACEUTICALS INC
Form 10-Q
February 09, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended December 31, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number 001-35839

ENANTA PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	2834	04-3205099
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

500 Arsenal Street

Watertown, Massachusetts 02472

(617) 607-0800

(Address, including zip code, and telephone number, including area code, of registrant’s principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

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

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

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

As of February 1, 2018, the registrant had 19,160,667 shares of common stock, $0.01 par value per share, outstanding.

ENANTA PHARMACEUTICALS, INC.

FORM 10-Q — Quarterly Report

For the Quarterly Period Ended December 31, 2017

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NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, or Form 10-Q, contains forward-looking statements concerning our business, operations and financial performance and condition, as well as our plans, objectives and expectations for our business operations and financial performance and condition. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. In some cases, you can identify forward-looking statements by terminology such as "aim," "anticipate," "assume," "believe," "contemplate," "continue," "could," "due," "estimate," "expect," "goal," "intend," "plan," "predict," "potential," "positioned," "seek," "should," "target," "will," "would," and other similar expressions that are p of or indicate future events and future trends, or the negative of these terms or other comparable terminology. These forward-looking statements include, but are not limited to, statements about overall trends, royalty revenue trends, research and clinical development plans, liquidity and capital needs and other statements of expectations, beliefs, future plans and strategies, anticipated events or trends and similar expressions. These forward-looking statements are based on our management's current expectations, estimates, forecasts and projections about our business and the industry in which we operate and our management's beliefs and assumptions. These forward-looking statements are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are in some cases beyond our control. As a result, any or all of our forward-looking statements in this Form 10-Q may turn out to be inaccurate. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under "Risk Factors" and discussed elsewhere in this Form 10-Q. These forward-looking statements speak only as of the date of this Form 10-Q. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future. You should, however, review the factors and risks we describe in the reports we will file from

time to time with the Securities and Exchange Commission (SEC) after the date of this Form 10-Q.

PART I—FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS
ENANTA PHARMACEUTICALS, INC.

CONSOLIDATED BALANCE SHEETS

(unaudited)

(in thousands, except per share amounts)

	December 31, 2017	September 30, 2017
Assets		
Current assets:		
Cash and cash equivalents	$68,053	$65,675
Short-term marketable securities	152,389	157,994
Accounts receivable	23,109	10,614
Prepaid expenses and other current assets	4,075	3,536
Total current assets	247,626	237,819
Property and equipment, net	7,870	8,049
Long-term marketable securities	77,047	70,038
Deferred tax assets	7,568	10,123
Restricted cash	608	608
Total assets	$340,719	$326,637
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$3,268	$3,714
Accrued expenses and other current liabilities	5,697	7,970
Income taxes payable	10,257	9,298
Total current liabilities	19,222	20,982
Warrant liability	—	807
Series 1 nonconvertible preferred stock	1,528	762
Other long-term liabilities	2,390	2,410
Total liabilities	23,140	24,961
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Common stock; $0.01 par value per share, 100,000 shares authorized; 19,150 and 19,120 shares issued and outstanding at December 31, 2017 and September 30, 2017, respectively	191	191
Additional paid-in capital	260,752	256,241
Accumulated other comprehensive loss	(458)	(112)
Retained earnings	57,094	45,356
Total stockholders' equity	317,579	301,676

Total liabilities and stockholders' equity	$340,719	$326,637

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

ENANTA PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

(in thousands, except per share amounts)

	Three Months Ended December 31,	
	2017	2016
Revenue		
Royalties	$23,109	$10,417
Milestones	15,000	—
Total revenue	38,109	10,417
Operating expenses:		
Research and development	17,962	12,526
General and administrative	5,770	4,937
Total operating expenses	23,732	17,463
Income (loss) from operations	14,377	(7,046)
Other income (expense):		
Interest income	928	549
Interest expense	(9)	(12)
Change in fair value of warrant liability and Series 1 nonconvertible preferred stock	41	(13)
Total other income (expense), net	960	524
Income (loss) before income taxes	15,337	(6,522)
Income tax (expense) benefit	(3,644)	1,542
Net income (loss)	$11,693	$(4,980)
Net income (loss) per share:		
Basic	$0.61	$(0.26)
Diluted	$0.59	$(0.26)
Weighted average shares outstanding:		
Basic	19,130	19,038
Diluted	19,918	19,038

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

ENANTA PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(unaudited)

(in thousands)

	Three Months Ended December 31,	
	2017	2016
Net income (loss)	$11,693	$(4,980)
Other comprehensive loss:		
Net unrealized losses on marketable securities, net of tax of ($107) and ($63)	(346)	(104)
Total other comprehensive loss	(346)	(104)
Comprehensive income (loss)	$11,347	$(5,084)

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

ENANTA PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(in thousands)

	Three Months Ended December 31,	
	2017	2016
Cash flows from operating activities		
Net income (loss)	$11,693	$(4,980)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Stock-based compensation expense	4,120	3,267
Depreciation and amortization expense	587	493
Deferred income taxes	2,662	(1,910)
Income tax benefit from exercise of stock options	245	—
Premium on marketable securities	(1)	(324)
Amortization of premium on marketable securities	88	188
Change in fair value of warrant liability and Series 1 nonconvertible preferred stock	(41)	13
Change in operating assets and liabilities:		
Accounts receivable	(12,495)	2,424
Prepaid expenses and other current assets	(539)	4,941
Accounts payable	(129)	(1,290)
Accrued expenses	(2,494)	(10)
Income taxes payable	714	—
Other long-term liabilities	(1)	333
Net cash provided by operating activities	4,409	3,145
Cash flows from investing activities		
Purchase of property and equipment	(504)	(953)
Purchase of marketable securities	(54,710)	(73,671)
Proceeds from maturities and sales of marketable securities	52,766	75,489
Net cash provided by (used in) investing activities	(2,448)	865
Cash flows from financing activities		
Proceeds from exercise of stock options	436	49
Payments of capital lease obligations	(19)	(18)
Net cash provided by financing activities	417	31
Net increase in cash and cash equivalents	2,378	4,041
Cash and cash equivalents at beginning of period	65,675	16,577
Cash and cash equivalents at end of period	$68,053	$20,618
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$13	$1,018

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

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ENANTA PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(Amounts in thousands, except per share data)

1. Nature of the Business and Basis of Presentation

Enanta Pharmaceuticals, Inc. (the "Company"), incorporated in Delaware in 1995, is a biotechnology company that uses its robust, chemistry-driven approach and drug discovery capabilities to create small molecule drugs primarily for the treatment of viral infections and liver diseases. The Company discovered glecaprevir, the second of two protease inhibitors discovered and developed through its collaboration with AbbVie and marketed as part of AbbVie's new direct-acting antiviral (DAA) regimen under the tradenames MAVYRET™ (U.S.) or MAVIRET™ (ex-U.S.) (glecaprevir/pibrentasvir) for the treatment of chronic hepatitis C virus, or HCV. The other protease inhibitor under its HCV collaboration is part of AbbVie's initial DAA regimens for the treatment of chronic HCV marketed under the tradenames VIEKIRA PAK® (paritaprevir/ritonavir/ombitasvir/dasabuvir) (U.S.) or VIEKIRAX®(paritaprevir/ritonavir/ombitasvir) (ex-U.S.). Royalties from the Company's AbbVie collaboration and its existing financial resources provide funding to support its wholly owned research and development efforts, which are currently focused on the following disease targets: non-alcoholic steatohepatitis ("NASH"); primary biliary cholangitis ("PBC"); respiratory syncytial virus ("RSV") and hepatitis B virus ("HBV").

The Company is subject to risks common to companies in the biotechnology industry including, but not limited to, the uncertainties of research and development, competition from technological innovations of others, dependence on collaborative arrangements, protection of proprietary technology, dependence on key personnel and compliance with government regulations and the need to obtain additional financing. Product candidates currently under development will require significant additional research and development efforts, including extensive preclinical and clinical testing and regulatory approvals, prior to commercialization. These efforts require significant amounts of capital, adequate personnel infrastructure, and extensive compliance reporting capabilities.

Unaudited Interim Financial Information

The consolidated balance sheet at September 30, 2017 was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America ("GAAP"). The accompanying unaudited consolidated financial statements as of December 31, 2017 and for the three months ended December 31, 2017 and 2016 have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. These financial statements should be read in conjunction with the Company's audited financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended September 30, 2017.

In the opinion of management, all adjustments, consisting of normal recurring adjustments necessary for a fair statement of the Company's financial position as of December 31, 2017 and results of operations for the three months ended December 31, 2017 and 2016 and cash flows for the three months ended December 31, 2017 and 2016, have been made. The results of operations for the three months ended December 31, 2017 are not necessarily indicative of the results of operations that may be expected for subsequent quarters or the year ending September 30, 2018.

The accompanying consolidated financial statements have been prepared in conformity with GAAP. All dollar amounts in the consolidated financial statements and in the notes to the consolidated financial statements, except per share amounts, are in thousands unless otherwise indicated.

2. Summary of Significant Accounting Policies

For the Company's Significant Accounting Policies, please refer to its Annual Report on Form 10-K for the fiscal year ended September 30, 2017. Other than the adoption of ASU 2016-09 as of October 1, 2017, there were no other significant changes to the Company's Significant Accounting Policies during the quarter.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the

consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates and assumptions reflected in these consolidated financial statements include, but are not limited to, management's judgments of separate units of accounting and best estimate of selling price of those units of accounting within its revenue arrangements; valuation of stock-based awards; and the accounting for income taxes, including uncertain tax positions and the valuation of net deferred tax assets. Estimates are periodically reviewed in light of changes in circumstances, facts and experience. Actual results could differ from the Company's estimates.

Recently Issued Accounting Pronouncements

In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"), which intends to simplify several aspects of accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, a choice to recognize gross stock compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. This amendment is effective for the Company in the fiscal year beginning October 1, 2017. As a result of the adoption this quarter, the Company changed its forfeiture rate policy to recognize forfeitures as they occur. Upon adoption, the cumulative impact of this change in policy on retained earnings and deferred tax assets in the consolidated balance sheet was not material. In addition, the consolidated statements of cash flows will present excess tax benefits, if any, as part of cash flows from operating activities. The Company elected to adopt this change on a prospective basis and, therefore, excess tax benefits from prior periods in the statement of cash flow were not restated. The adoption of the standard is also expected to create variability in the consolidated statements of operations in years in which the Company is expected to have taxable income, as the tax consequences of settled share-based payments will be recognized in income tax expense when share-based payment awards are settled.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09") which supersedes all existing revenue recognition requirements, including most industry-specific guidance. The new standard requires a company to recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration that the company expects to receive for those goods or services. The FASB has continued to issue accounting standards updates to clarify and provide implementation guidance related to Revenue from Contracts with Customers, including ASU 2016-08, Revenue from Contract with Customers: Principal versus Agent Considerations, ASU 2016-10, Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing, and ASU 2016-12, Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients. These amendments address a number of areas, including an entity's identification of its performance obligations in a contract, collectibility, non-cash consideration, presentation of sales tax and an entity's evaluation of the nature of its promise to grant a license of intellectual property and whether or not that revenue is recognized over time or at a point in time. The new guidance must be adopted using either a modified retrospective approach or a full retrospective approach for all periods presented. Under the modified retrospective method, the cumulative effect of applying the new standard would be recognized at the adoption date in retained earnings on the consolidated balance sheet. Under the full retrospective approach, the new standard would be applied to each prior reporting period presented. These new standards will be effective for the Company beginning October 1, 2018. Currently, the Company has only one revenue-generating contract – the AbbVie Agreement. The Company has completed its substantial performance obligations under the contract and is eligible to earn annually tiered per-product royalties on the portion of AbbVie's net sales of HCV regimens allocable to the protease inhibitor in the regimen. The Company is in process of determining the method of adoption but under either method, the impact of adoption is not expected to have a material impact on the Company's consolidated financial statements as presently, the AbbVie Agreement is the only revenue-generating arrangement outstanding, and all performance obligations under the agreement have been achieved.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash ("ASU 2016-18") that changes the presentation of restricted cash and cash equivalents on the statement of cash flows. Restricted cash and restricted cash equivalents will be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This amendment is effective for the Company in the fiscal year beginning October 1, 2018, but early adoption is permissible. Upon adoption, the Company will adjust the presentation of the statement of cash flows to include restricted cash related to an outstanding letter of credit collateralized by a money market fund of $608 so that it is included in the beginning balance of cash and cash equivalents.

In May 2017, the FASB issued ASU No. 2017-09, Compensation—Stock Compensation (Topic 718) ("ASU 2017-09") which provides updated guidance about changes to the terms or conditions of a share-based payment award that requires companies to apply modification accounting under Topic 718. This amendment is effective for the Company in the fiscal year beginning October 1, 2018, but early adoption is permissible. The Company does not expect the adoption of ASU 2017-09 to have a material impact on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases ("ASU 2016-02"), which will replace the existing guidance in ASC 840, "Leases." The updated standard aims to increase transparency and comparability among organizations by requiring lessees to recognize leased assets and leased liabilities on the consolidated balance sheets and requiring disclosure of key information about leasing arrangements. This amendment is effective for the Company in the fiscal year beginning October 1, 2019, but early adoption is permissible. The Company is currently evaluating the potential impact that ASU 2016-02 may have on its financial position and results of operations.

In March 2017, the FASB issued ASU No. 2017-08, Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities ("ASU 2017-08") which requires companies to amend the amortization period for premiums on debt securities with explicit call features to be the earliest call date rather than through the contractual life of the debt instrument. This amendment aims to more closely align the recognition of interest income with the manner in which market participants price such instruments. This amendment is effective for the Company in the fiscal year beginning October 1, 2019, but early adoption is permissible. The Company is currently evaluating the potential impact that ASU 2017-08 may have on its financial position and results of operations.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses ("ASU 2016-13"), which introduces a new methodology for accounting for credit losses on financial instruments, including available-for-sale debt securities. The guidance establishes a new "expected loss model" that requires entities to estimate current expected credit losses on financial instruments by using all practical and relevant information. Any expected credit losses are to be reflected as allowances rather than reductions in the amortized cost of available-for-sale debt securities. This amendment is effective for the Company in the fiscal year beginning October 1, 2020. The Company is currently evaluating the potential impact that ASU 2016-13 may have on its financial position and results of operations.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the Company's consolidated financial statements upon adoption.

3. Fair Value of Financial Assets and Liabilities

The following tables present information about the Company's financial assets and liabilities that were subject to fair value measurement on a recurring basis as of December 31, 2017 and September 30, 2017 and indicate the fair value hierarchy of the valuation inputs utilized to determine such fair value:

	Fair Value Measurements at December 31, 2017 Using:			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Assets:				
Cash equivalents:				
Money market funds	$36,702	$—	$—	$36,702
U.S. Treasury notes	—	5,990	—	5,990
Commercial paper	—	8,984	—	8,984
Marketable securities:				
U.S. Treasury notes	51,698	—	—	51,698
Corporate bonds	—	154,286	—	154,286
Commercial paper	—	23,452	—	23,452

	$88,400	$192,712	$—	$281,112
Liabilities:				
Warrant liability	$—	$—	$—	$—
Series 1 nonconvertible preferred stock	—	—	1,528	1,528
	$—	$—	$1,528	$1,528

	Fair Value Measurements at September 30, 2017 Using:			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Assets:				
Cash equivalents:				
Money market funds	$19,863	$—	$—	$19,863
Commercial paper	—	29,756	—	29,756
Corporate bonds	—	3,000	—	3,000
Marketable securities:				
U.S. Treasury notes	60,843	—	—	60,843
Corporate bonds	—	150,731	—	150,731
Commercial paper	—	12,458	—	12,458
U.S. Agency bonds	—	4,000	—	4,000
	$80,706	$199,945	$—	$280,651
Liabilities:				
Warrant liability	$—	$—	$807	$807
Series 1 nonconvertible preferred stock	—	—	762	762
	$—	$—	$1,569	$1,569

During the three months ended December 31, 2017 and 2016, there were no transfers between Level 1, Level 2 and Level 3.

As of September 30, 2017, the Company’s warrant liability was comprised of the value of warrants for the purchase of its Series 1 nonconvertible preferred stock. These warrants were financial instruments that might have required a transfer of assets because of the liquidation features and were therefore recorded as liabilities and measured at fair value. These warrants expired on October 4, 2017, and are therefore no longer outstanding. The outstanding shares of Series 1 nonconvertible preferred stock are also measured at fair value. The fair value of these instruments was based on significant inputs not observable in the market, which represented a Level 3 measurement within the fair value hierarchy. The Company utilized a probability-weighted valuation model which takes into consideration various outcomes that may require the Company to transfer assets upon exercise. Changes in the fair value of the warrant liability and Series 1 nonconvertible preferred stock are recognized in other income (expense), net in the consolidated statements of operations.

The recurring Level 3 fair value measurements of the Company’s outstanding warrant liability and Series 1 nonconvertible preferred stock using probability-weighted discounted cash flow include the following significant unobservable inputs:

		Range (Weighted Average)	
	Unobservable Input	December 31, 2017	September 30, 2017
Warrant liability and Series 1 nonconvertible preferred stock	Probabilities of payout	0%-65%	0%-65%
	Discount rate	5.25%	5.25%

The following table provides a rollforward of the aggregate fair values of the Company's warrants for the purchase of Series 1 nonconvertible preferred stock and the outstanding Series 1 nonconvertible preferred stock for which fair value is determined by Level 3 inputs:

	Warrant Liability	Series 1 Nonconvertible Preferred Stock
Balance, September 30, 2017	$ 807	$ 762
Warrants exercised	(766)	766
Warrants expired	(41)	—
Balance, December 31, 2017	$ —	$ 1,528

4. Marketable Securities

As of December 31, 2017 and September 30, 2017, the fair value of available-for-sale marketable securities, by type of security, was as follows:

	December 31, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Corporate bonds	$154,778	$ —	$ (492)	$154,286
U.S. Treasury notes	51,838	—	(140)	51,698
Commercial paper	23,452	—	—	23,452
	$230,068	$ —	$ (632)	$229,436

	September 30, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Corporate bonds	$150,841	$ 9	$ (119)	$150,731
U.S. Treasury notes	60,908	—	(65)	60,843
Commercial paper	12,458	—	—	12,458
U.S. Agency bonds	4,004	—	(4)	4,000
	$228,211	$ 9	$ (188)	$228,032

As of December 31, 2017, marketable securities consisted of short-term marketable securities, which are investments that mature within one year, and long-term marketable securities, with an aggregate fair value of $77,047, which consist of certain U.S. Treasury notes and corporate bonds that have maturities of more than one year but not more than three years.

5. Accrued Expenses and Other Long-Term Liabilities

Accrued expenses and other current liabilities as well as other long-term liabilities consisted of the following as of December 31, 2017 and September 30, 2017:

	December 31, 2017	September 30, 2017
	(in thousands)	
Accrued expenses:		

Accrued preclinical and clinical expenses	$2,057	$ 3,156
Accrued vendor manufacturing	1,526	1,130
Accrued payroll and related expenses	1,186	2,829
Accrued professional fees	523	456
Accrued other	405	399
	$5,697	$ 7,970

Other long-term liabilities:		
Uncertain tax positions	$1,188	$ 1,175
Accrued rent expense	654	676
Capital lease obligation	358	379
Asset retirement obligation	190	180
	$2,390	$ 2,410

6. Ongoing Collaboration Agreements

AbbVie Collaboration

The Company has a Collaborative Development and License Agreement (as amended, the "AbbVie Agreement"), with AbbVie to identify, develop and commercialize HCV NS3 and NS3/4A protease inhibitor compounds, including paritaprevir and glecaprevir, under which the Company has received license payments, proceeds from a sale of preferred stock, research funding payments, milestone payments and royalties totaling approximately $525,000 through December 31, 2017. Since the Company completed all its performance obligations under the AbbVie Agreement by the end of fiscal 2011, all milestone payments received since then have been recognized as revenue when the milestones were achieved by AbbVie.

The Company is also receiving annually tiered royalties per Company protease product ranging from the low double digits up to twenty percent, or on a blended basis from the low double digits up to the high teens, on the portion of AbbVie's calendar year net sales of each HCV regimen that is allocated to the protease inhibitor in the regimen. Beginning with each January 1, the cumulative net sales of a given royalty-bearing protease inhibitor product start at zero for purposes of calculating the tiered royalties on a product-by-product basis.

During the three months ended December 31, 2017, the Company earned and recognized milestone revenue of $15,000 upon AbbVie's achievement of commercialization regulatory approval in Japan for MAVIRET™.

7. Warrants to Purchase Series 1 Nonconvertible Preferred Stock and Series 1 Nonconvertible Preferred Stock

In October and November 2010, the Company issued warrants to purchase up to a total of 2,000 shares of Series 1 nonconvertible preferred stock. As these warrants were financial instruments that might have required the Company to transfer assets, these instruments are classified as liabilities. The following table summarizes the activity of the warrants to purchase Series 1 nonconvertible preferred stock:

	Outstanding Warrants (in thousands, except per share data)	Weighted Average Exercise Price
Outstanding as of September 30, 2017	1,030	$ 0.01
Exercised	(978)	$ 0.01
Expired	(52)	$ 0.01
Outstanding as of December 31, 2017	—	$ 0.01

As of December 31, 2017, 1,931 shares of Series 1 nonconvertible preferred stock were issued and outstanding. As this preferred stock may require the Company to transfer a fixed amount of assets, these shares are classified as liabilities.

8. Stock-Based Awards

The Company has granted stock-based awards, including stock options, restricted stock units, and performance share units, under its existing 2012 Equity Incentive Plan (the “2012 Plan”). The Company also has outstanding stock-based awards under its 1995 Equity Incentive Plan (the “1995 Plan”), but is no longer granting awards under this plan.

The following table summarizes stock option activity, including performance-based options, for the year-to-date period ending December 31, 2017:

	Shares Issuable Under Options (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding as of September 30, 2017	2,298	$ 30.36	7.4	$ 37,821
Granted	466	$ 48.55		
Exercised	(29)	$ 14.80		
Forfeited	(13)	$ 39.45		
Outstanding as of December 31, 2017	2,722	$		