UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2024

OR

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

For the transition period from to

Commission File Number 001-32335

HALOZYME THERAPEUTICS, INC.

(*Exact name of registrant as specified in its charter*)

Delaware	**88-0488686**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
12390 El Camino Real **San Diego** **California** *(Address of principal executive offices)*	**92130** *(Zip Code)*

(858) 794-8889
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 par value	HALO	The Nasdaq Stock Market LLC

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	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 ☒

The number of outstanding shares (in thousands) of the registrant's common stock, par value $0.001 per share, was 127,227 as of October 24, 2024.

HALOZYME THERAPEUTICS, INC.
TABLE OF CONTENTS

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

HALOZYME THERAPEUTICS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except per share amounts)

	September 30, 2024	December 31, 2023
ASSETS		
Current assets		
Cash and cash equivalents	$ 154,318	$ 118,370
Marketable securities, available-for-sale	511,988	217,630
Accounts receivable, net and contract assets	285,743	234,210
Inventories	131,412	127,601
Prepaid expenses and other current assets	43,515	48,613
Total current assets	1,126,976	746,424
Property and equipment, net	74,490	74,944
Prepaid expenses and other assets	80,151	17,816
Goodwill	416,821	416,821
Intangible assets, net	419,592	472,879
Deferred tax assets, net	—	4,386
Total assets	$ 2,118,030	$ 1,733,270
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 12,398	$ 11,816
Accrued expenses	96,417	100,678
Total current liabilities	108,815	112,494
Long-term debt, net	1,504,154	1,499,248
Other long-term liabilities	40,406	37,720
Deferred tax liabilities, net	11,952	—
Total liabilities	1,665,327	1,649,462
Commitments and contingencies (Note 11)		
Stockholders' equity		
Preferred stock - $0.001 par value; 20,000 shares authorized; no shares issued and outstanding	—	—
Common stock - $0.001 par value; 300,000 shares authorized; 127,183 and 126,770 shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively	127	127
Additional paid-in capital	61,886	2,409
Accumulated other comprehensive loss	(6,939)	(9,278)
Retained earnings	397,629	90,550
Total stockholders' equity	452,703	83,808
Total liabilities and stockholders' equity	$ 2,118,030	$ 1,733,270

See accompanying notes to condensed consolidated financial statements.

HALOZYME THERAPEUTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenues				
Royalties	$ 155,061	$ 114,433	$ 400,572	$ 325,813
Product sales, net	86,659	86,569	224,128	221,252
Revenues under collaborative agreements	48,364	15,031	92,616	52,149
Total revenues	290,084	216,033	717,316	599,214
Operating expenses				
Cost of sales	49,426	54,823	117,362	140,063
Amortization of intangibles	17,762	20,341	53,287	56,011
Research and development	18,458	17,321	58,607	55,027
Selling, general and administrative	41,241	35,269	112,086	111,574
Total operating expenses	126,887	127,754	341,342	362,675
Operating income	163,197	88,279	375,974	236,539
Other income (expense)				
Investment and other income, net	6,474	4,786	16,499	10,957
Contingent liability fair value measurement gain	—	13,200	—	13,200
Interest expense	(4,524)	(4,505)	(13,555)	(13,542)
Income before income tax expense	165,147	101,760	378,918	247,154
Income tax expense	28,136	19,923	71,839	50,948
Net income	$ 137,011	$ 81,837	$ 307,079	$ 196,206
Earnings per share				
Basic	$ 1.08	$ 0.62	$ 2.42	$ 1.48
Diluted	$ 1.05	$ 0.61	$ 2.37	$ 1.45
Weighted average common shares outstanding				
Basic	126,850	131,965	126,969	132,896
Diluted	130,134	134,083	129,526	135,233

See accompanying notes to condensed consolidated financial statements.

HALOZYME THERAPEUTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(In thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income	$ 137,011	$ 81,837	$ 307,079	$ 196,206
Other comprehensive income				
Unrealized gain (loss) on marketable securities, net	1,735	(49)	1,272	706
Foreign currency translation adjustment	2	—	(5)	24
Unrealized gain on foreign currency	—	2	—	1
Unrealized (loss) gain on derivative instruments, net	(6,919)	3,426	1,772	2,001
Realized loss (gain) on derivative instruments, net	311	(537)	(700)	(583)
Comprehensive income	$ 132,140	$ 84,679	$ 309,418	$ 198,355

See accompanying notes to condensed consolidated financial statements.

HALOZYME THERAPEUTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Nine Months Ended September 30,	
	2024	**2023**
Operating activities		
Net income	$ 307,079	$ 196,206
Adjustments to reconcile net income to net cash provided by operating activities		
Share-based compensation	31,923	26,956
Depreciation and amortization	7,610	8,152
Amortization of intangible assets	53,287	56,011
Amortization of debt discount	5,506	5,476
Accretion of discount on marketable securities, net	(8,520)	(3,830)
Realized gain on marketable securities	(7)	—
Loss on disposal of equipment	1,678	517
Contingent liability fair value measurement adjustment	—	(13,200)
Recognition of deferred revenue	—	(2,579)
Lease payments recognized	863	—
Deferred income taxes	15,824	25,083
Changes in operating assets and liabilities		
Accounts receivable, net and other contract assets	(51,533)	13,546
Inventories	(59,655)	(28,353)
Prepaid expenses and other assets	(265)	5,299
Accounts payable and accrued expenses	(3,193)	(3,067)
Net cash provided by operating activities	300,597	286,217
Investing activities		
Purchases of marketable securities	(596,157)	(271,617)
Proceeds from sales and maturities of marketable securities	311,598	195,697
Purchases of property and equipment	(7,644)	(12,698)
Net cash used in investing activities	(292,203)	(88,618)
Financing activities		
Repayment of 2024 Convertible Notes	—	(13,483)
Repurchase of common stock	—	(150,083)
Proceeds from issuance of common stock under equity incentive plans, net of taxes paid related to net share settlement	27,554	5,499
Net cash provided by (used in) financing activities	27,554	(158,067)
Net increase in cash, cash equivalents and restricted cash	35,948	39,532
Cash, cash equivalents and restricted cash at beginning of period	118,370	234,695
Cash, cash equivalents and restricted cash at end of period	$ 154,318	$ 274,227
Supplemental disclosure of non-cash investing and financing activities		
Amounts accrued for purchases of property and equipment	$ 320	$ 533
Right-of-use assets obtained in exchange for lease obligation	$ 2,622	$ 1,211
Common stock issued for conversion of 2024 Convertible Notes	$ —	$ 125

See accompanying notes to condensed consolidated financial statements.

HALOZYME THERAPEUTICS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited)

(in thousands)

Three Months Ended September 30, 2024

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
	Shares	Amount				
BALANCE AS OF JUNE 30, 2024	126,535	$ 127	$ 30,747	$ (2,068)	$ 260,618	$ 289,424
Share-based compensation expense	—	—	12,578	—	—	12,578
Issuance of common stock pursuant to exercise of stock options and vesting of restricted stock units, net	648	—	18,561	—	—	18,561
Other comprehensive loss	—	—	—	(4,871)	—	(4,871)
Net income	—	—	—	—	137,011	137,011
BALANCE AS OF SEPTEMBER 30, 2024	127,183	$ 127	$ 61,886	$ (6,939)	$ 397,629	$ 452,703

Nine Months Ended September 30, 2024

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Stockholders' Equity
	Shares	Amount				
BALANCE AS OF DECEMBER 31, 2023	126,770	$ 127	$ 2,409	$ (9,278)	$ 90,550	$ 83,808
Share-based compensation expense	—	—	31,923	—	—	31,923
Issuance of common stock pursuant to exercise of stock options and vesting of restricted stock and performance stock units, net and shares issued under the ESPP plan	1,479	1	27,553	—	—	27,554
Repurchase of common stock	(1,066)	(1)	1		—	—
Other comprehensive income	—	—	—	2,339		2,339
Net income	—	—	—	—	307,079	307,079
BALANCE AS OF SEPTEMBER 30, 2024	127,183	$ 127	$ 61,886	$ (6,939)	$ 397,629	$ 452,703

Three Months Ended September 30, 2023

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Stockholders' Equity
	Shares	Amount				
BALANCE AS OF JUNE 30, 2023	131,856	$ 132	$ 12,068	$ (1,615)	$ 140,448	$ 151,033
Share-based compensation expense	—	—	9,367	—	—	9,367
Issuance of common stock pursuant to exercise of stock options and vesting of restricted stock units, net	225	—	4,102	—	—	4,102
Other comprehensive income	—	—	—	2,842	—	2,842
Net income	—	—	—	—	81,837	81,837
BALANCE AS OF SEPTEMBER 30, 2023	132,081	$ 132	$ 25,537	$ 1,227	$ 222,285	$ 249,181

Nine Months Ended September 30, 2023

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity
	Shares	Amount				
BALANCE AS OF DECEMBER 31, 2022	135,154	$ 135	$ 27,368	$ (922)	$ 143,217	$ 169,798
Share-based compensation expense	—	—	26,956	—	—	26,956
Issuance of common stock for the conversion of the 2024 Convertible Notes	289	—	(126)	—	—	(126)
Issuance of common stock pursuant to exercise of stock options and vesting of restricted stock and performance stock units, net and shares issued under the ESPP plan	803	1	5,498	—	—	5,499
Repurchase of common stock	(4,165)	(4)	(34,159)		(117,138)	(151,301)
Other comprehensive income	—	—	—	2,149	—	2,149
Net income	—	—	—	—	196,206	196,206
BALANCE AS OF SEPTEMBER 30, 2023	132,081	$ 132	$ 25,537	$ 1,227	$ 222,285	$ 249,181

See accompanying notes to condensed consolidated financial statements.

HALOZYME THERAPEUTICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Organization and Business

Halozyme Therapeutics, Inc. is a biopharmaceutical company advancing disruptive solutions to improve patient experiences and outcomes for emerging and established therapies.

As the innovators of ENHANZE® drug delivery technology ("ENHANZE") with our proprietary enzyme, rHuPH20, our commercially validated solution is used to facilitate the subcutaneous ("SC") delivery of injected drugs and fluids with the goal of improving the patient experience with rapid SC delivery and reduced treatment burden. We license our technology to biopharmaceutical companies to collaboratively develop products that combine ENHANZE with our partners' proprietary compounds. We also develop, manufacture and commercialize, for ourselves or with our partners, drug-device combination products using our advanced auto-injector technologies that are designed to provide commercial or functional advantages such as improved convenience, reliability and tolerability, and enhanced patient comfort and adherence.

Our ENHANZE partners' approved products and product candidates are based on rHuPH20, our patented recombinant human hyaluronidase enzyme. rHuPH20 works by breaking down hyaluronan ("HA"), a naturally occurring carbohydrate that is a major component of the extracellular matrix of the SC space. This temporarily reduces the barrier to bulk fluid flow allowing for improved and more rapid SC delivery of high dose, high volume injectable biologics, such as monoclonal antibodies and other large therapeutic molecules, as well as small molecules and fluids. We refer to the application of rHuPH20 to facilitate the delivery of other drugs or fluids as ENHANZE. We license our ENHANZE technology to form collaborations with biopharmaceutical companies that develop and/or market drugs requiring or benefiting from injection via the SC route of administration. In the development of proprietary intravenous ("IV") drugs combined with our ENHANZE technology, data has been generated supporting the potential for ENHANZE to reduce patient treatment burden, as a result of shorter duration of SC administration with ENHANZE compared to IV administration. ENHANZE may enable fixed-dose SC dosing compared to weight-based dosing typically required for IV administration, extend the dosing interval for drugs that are already administered subcutaneously and potentially allow for lower rates of infusion-related reactions. ENHANZE may enable more flexible treatment options such as home administration by a healthcare professional or potentially the patient or caregiver. Lastly, certain proprietary drugs co-formulated with ENHANZE have been granted additional exclusivity, extending the patent life of the product beyond the patent expiry of the proprietary IV drug.

We currently have ENHANZE collaborations and licensing agreements with F. Hoffmann-La Roche, Ltd. and Hoffmann-La Roche, Inc. ("Roche"), Takeda Pharmaceuticals International AG and Baxalta US Inc. ("Takeda"), Pfizer Inc. ("Pfizer"), Janssen Biotech, Inc. ("Janssen"), AbbVie, Inc. ("AbbVie"), Eli Lilly and Company ("Lilly"), Bristol-Myers Squibb Company ("BMS"), argenx BVBA ("argenx"), ViiV Healthcare (the global specialist HIV Company majority owned by GlaxoSmithKline) ("ViiV"), Chugai Pharmaceutical Co., Ltd. ("Chugai") and Acumen Pharmaceuticals, Inc. ("Acumen"). In addition to receiving upfront licensing fees from our ENHANZE collaborations, we are entitled to receive event and sales-based milestone payments, revenues from the sale of bulk rHuPH20 and royalties from commercial sales of approved partner products co-formulated with ENHANZE. We currently earn royalties from sales of eight commercial products including sales of one commercial product from each of the Takeda, Janssen and argenx collaborations and five commercial products from the Roche collaboration.

We have commercialized auto-injector products with Teva Pharmaceutical Industries, Ltd. ("Teva") and Otter Pharmaceuticals, LLC ("Otter"). We have development programs including auto-injectors with Idorsia Pharmaceuticals Ltd. ("Idorsia").

Our commercial portfolio of proprietary products includes Hylenex®, utilizing rHuPH20, and XYOSTED®, utilizing our auto-injector technology.

Except where specifically noted or the context otherwise requires, references to "Halozyme," "the Company," "we," "our," and "us" in these notes to our condensed consolidated financial statements refer to Halozyme Therapeutics, Inc. and each of its directly and indirectly wholly owned subsidiaries as disclosed in Note 2, *Summary of Significant Accounting Policies*.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying interim unaudited condensed consolidated financial statements have been prepared for purposes of and in accordance with United States generally accepted accounting principles ("U.S. GAAP") and with the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") related to a quarterly report on Form 10-Q. Accordingly, they do not include all of the information and disclosures required by U.S. GAAP for a complete set of financial statements. These condensed consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on February 20, 2024. The unaudited financial information for the interim periods presented herein reflects all adjustments which, in the opinion of management, are necessary for a fair presentation of the financial condition and results of operations for the periods presented, with such adjustments consisting only of normal recurring adjustments. Operating results for interim periods are not necessarily indicative of the operating results for an entire fiscal year.

The accompanying condensed consolidated financial statements include the accounts of Halozyme Therapeutics, Inc. and our wholly owned subsidiaries, Halozyme, Inc. and Antares Pharma, Inc., and Antares Pharma, Inc.'s wholly owned Swiss subsidiaries, Antares Pharma IPL AG and Antares Pharma AG. All intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the amounts reported in our condensed consolidated financial statements and accompanying notes. On an ongoing basis, we evaluate our estimates and judgments, which are based on historical and anticipated results and trends and on various other assumptions that we believe to be reasonable under the circumstances. By their nature, estimates are subject to an inherent degree of uncertainty and, as such, actual results may differ from our estimates.

Cash Equivalents and Marketable Securities

Cash equivalents consist of highly liquid investments, readily convertible to cash, which mature within 90 days or less from the date of purchase. As of September 30, 2024, our cash and cash equivalents consisted of money market funds, bank certificate of deposits and demand deposits at commercial banks.

Marketable securities are investments with original maturities of more than 90 days from the date of purchase that are specifically identified to fund current operations. Marketable securities are considered available-for-sale. These investments are classified as current assets, even though the stated maturity date may be one year or more beyond the current balance sheet date which reflects management's intention to use the proceeds from the sale of these investments to fund our operations, as necessary. Such available-for-sale investments are carried at fair value with unrealized gains and losses recorded in other comprehensive income and included as a separate component of stockholders' equity. The cost of marketable securities is adjusted for amortization of premiums or accretion of discounts to maturity, and such amortization or accretion is included in investment and other income, net in our condensed consolidated statements of income. We use the specific identification method for calculating realized gains and losses on marketable securities sold. None of the realized gains and losses and declines in value that were judged to be as a result of credit loss on marketable securities, if any, are included in investment and other income, net in our condensed consolidated statements of income.

Fair Value of Financial Instruments

The authoritative guidance for fair value measurements establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Our financial instruments include cash equivalents, available-for-sale marketable securities, accounts receivable, prepaid expenses and other assets, accounts payable, accrued expenses and long-term debt. Fair value estimates of these instruments are made at a specific point in time based on relevant market information. These estimates may be subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision. The carrying amount of cash equivalents, accounts receivable, prepaid expenses and other assets, accounts payable and accrued expenses are generally considered to be representative of their respective fair values because of the short-term nature of those instruments.

Available-for-sale marketable securities consist of asset-backed securities, corporate debt securities, U.S. Treasury securities, agency bonds and commercial paper, and are measured at fair value using Level 1 and Level 2 inputs. Level 2 financial instruments are valued using market prices on less active markets and proprietary pricing valuation models with observable inputs, including interest rates, yield curves, maturity dates, issue dates, settlement dates, reported trades, broker-dealer quotes, issue spreads, benchmark securities or other market related data. We obtain the fair value of Level 2 investments from our investment manager, who obtains these fair values from a third-party pricing source. We validate the fair values of Level 2 financial instruments provided by our investment manager by comparing these fair values to a third-party pricing source.

Accounts Receivable, net

Accounts receivable is recorded at the invoiced amount and is non-interest bearing. Accounts receivable is recorded net of estimated prompt pay discounts, distribution fees and chargebacks. We believe the risk of accounts being uncollectible is minimal; therefore, no significant allowances for doubtful accounts were established as of September 30, 2024 and December 31, 2023.

Inventories

Inventories are stated at lower of cost or net realizable value. Cost is determined on a first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Inventories are reviewed periodically for potential excess, dated or obsolete status. We evaluate the carrying value of inventories on a regular basis, taking into account such factors as historical and anticipated future sales compared to quantities on hand, the price we expect to obtain for products in their respective markets compared with historical cost and the remaining shelf life of goods on hand.

Leases

We have entered into operating leases primarily for real estate and automobiles. These leases have contractual terms which range from three years to twelve years. We determine if an arrangement contains a lease at inception. Right of use ("ROU") assets and liabilities resulting from operating leases are included in property and equipment, accrued expenses and other long-term liabilities on our condensed consolidated balance sheets. Operating lease ROU assets and liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the discount rate to calculate the present value of future payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives and initial direct costs incurred. Our leases often include options to extend or terminate the lease. These options are included in the lease term when it is reasonably certain that we will exercise that option. Short-term leases with an initial term of 12 months or less are not recorded on our condensed consolidated balance sheet. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

We have lease agreements with lease and non-lease components, which are generally accounted for separately. For certain leases, such as automobiles, we account for the lease and non-lease components as a single lease component.

Property and Equipment, Net

Property and equipment, including ROU assets are recorded at cost, less accumulated depreciation and amortization. Equipment is depreciated using the straight-line method over its estimated useful life ranging from three years to ten years and leasehold improvements are amortized using the straight-line method over the estimated useful life of the asset or the lease term, whichever is shorter.

Impairment of Long-Lived Assets

We account for long-lived assets in accordance with authoritative guidance for impairment or disposal of long-lived assets. Long-lived assets are reviewed for events or changes in circumstances, which indicate that their carrying value may not be recoverable.

Comprehensive Income

Comprehensive income is defined as the change in equity during the period from transactions and other events and circumstances from non-owner sources.

Convertible Notes

The 2024 Convertible Notes, the 2027 Convertible Notes and the 2028 Convertible Notes (collectively, the "Convertible Notes") are accounted for in accordance with authoritative guidance for debt and derivatives. We evaluate all the embedded conversion options contained in the Convertible Notes to determine if there are embedded features that require bifurcation as a derivative as required by U.S. GAAP. Based on our analysis, we account for each of our Convertible Notes as single units of accounting, a liability, because we concluded that the conversion features do not require bifurcation as a derivative under embedded derivative authoritative guidance.

Cash Flow Hedges - Currency Risks

Beginning in the second quarter of 2023, we entered into a cash flow hedging program to mitigate foreign currency exchange risk associated with forecasted royalty revenue denominated in Swiss francs. Under the program, we can hedge these forecasted royalties up to a maximum of four years into the future. We hedge these cash flow exposures to reduce the risk of our earnings and cash flows being adversely affected by fluctuations in exchange rates.

In accordance with the hedge accounting treatment, all hedging relationships are formally documented at the inception of the hedge and are highly effective in offsetting changes to future cash flows on hedged transactions. Both at inception of the hedge and on an ongoing basis, we assess whether the foreign currency forward contracts are highly effective in offsetting changes in cash flows of hedged items on a prospective and retrospective basis. If we determine a (i) foreign currency forward contract is not highly effective as a cash flow hedge, (ii) foreign currency forward contract has ceased to be a highly effective hedge or (iii) forecasted transaction is no longer probable of occurring, we would discontinue hedge accounting treatment prospectively. We measure effectiveness based on the change in fair value of the forward currency forward contract and the fair value of the hypothetical foreign currency forward contract with terms that match the critical terms of the risk being hedged. No portion of our foreign currency forward contracts were excluded from the assessment of hedge effectiveness. As of September 30, 2024, all hedges were determined to be highly effective.

The assets or liabilities associated with our hedging contracts are recorded at fair market value in prepaid expense and other current assets, accrued expenses, or other long-term liabilities, respectively, in our condensed consolidated balance sheets. Gains and losses related to changes in the fair market value of these hedging contracts are recorded as a component of accumulated other comprehensive income (loss) ("AOCI") within stockholder's equity in our condensed consolidated balance sheets and reclassified to royalty revenue in our condensed consolidated statements of income in the same period as the recognition of the underlying hedged transaction. In the event the underlying forecasted transaction does not occur, or it becomes probable that it will not occur, within the defined hedge period, we reclassify the gains or losses on the related cash flow hedge from AOCI to royalties revenue in our condensed consolidated statements of income. Settlements from the cash flow hedge are included in operating activities on the condensed consolidated statements of cash flows. Since the fair market value of these hedging contracts is derived from current market rates, the hedging contracts are classified as derivative financial instruments. We do not use derivatives for speculative or trading purposes. As of September 30, 2024, amounts expected to be recognized as a net gain out of AOCI into our condensed consolidated statements of income during the next 12 months are not material.

Business Combinations

Under the acquisition method of accounting, we allocate the fair value of the total consideration transferred to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values on the date of acquisition. These valuations require us to make estimates and assumptions, especially with respect to intangible assets. We record the excess consideration over the aggregate fair value of tangible and intangible assets, net of liabilities assumed, as goodwill. Costs incurred to complete a business combination, such as legal and other professional fees, are expensed as incurred.

If the initial accounting for a business combination is incomplete by the end of a reporting period that falls within the measurement period, we report provisional amounts in our financial statements. During the measurement period, we adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. We record these adjustments to the provisional amounts with a corresponding offset to goodwill. Any adjustments identified after the measurement period are recorded in our condensed consolidated statements of income.

Goodwill, Intangible Assets and Other Long-Lived Asset

Assets acquired, including intangible assets and in-process research and development ("IPR&D"), and liabilities assumed are measured at fair value as of the acquisition date. Goodwill, which has an indefinite useful life, represents the excess of cost over fair value of the net assets acquired. Intangible assets acquired in a business combination that are used for IPR&D activities are considered indefinite lived until the completion or abandonment of the associated research and development efforts. Upon reaching the end of the relevant research and development project (i.e., upon commercialization), the IPR&D asset is amortized over its estimated useful life. If the relevant research and development project is abandoned, the IPR&D asset is expensed in the period of abandonment.

Goodwill and IPR&D are not amortized; however, they are reviewed for impairment at least annually during the second quarter, or more frequently if an event occurs indicating the potential for impairment. Goodwill and IPR&D are considered to be impaired if the carrying value of the reporting unit or IPR&D asset exceeds its respective fair value.

We perform our goodwill impairment analysis at the reporting unit level, which aligns with our reporting and operating segment structure and availability of discrete financial information. During the goodwill impairment review, we assess qualitative factors to determine whether it is more likely than not that the fair values of our reporting unit is less than the carrying amount, including goodwill. The qualitative factors include, but are not limited to, macroeconomic conditions, industry and market considerations, and our overall financial performance. If, after assessing the totality of these qualitative factors, we determine that it is not more likely than not that the fair value of our reporting unit is less than the carrying amounts, then no additional assessment is deemed necessary. Otherwise, we proceed to compare the estimated fair value of the reporting unit with the carrying value, including goodwill. If the carrying amount of the reporting unit exceeds the fair value, we record an impairment loss based on the difference. We may elect to bypass the qualitative assessment in a period and proceed to perform the quantitative goodwill impairment test.

Our identifiable intangible assets with finite useful lives are typically comprised of acquired device technologies and product rights. The cost of identifiable intangible assets with finite lives is generally amortized on a straight-line basis over the assets' respective estimated useful lives.

We perform regular reviews to determine if any event has occurred that may indicate intangible assets with finite useful lives and other long-lived assets are potentially impaired. If indicators of impairment exist, an impairment test is performed to assess the recoverability of the affected assets by determining whether the carrying amount of such assets exceeds the undiscounted expected future cash flows. If the affected assets are not recoverable, we estimate the fair value of the assets and record an impairment loss if the carrying value of the assets exceeds the fair value. Factors that may indicate potential impairment include a significant decline in our stock price and market capitalization compared to the net book value, significant changes in the ability of a particular asset to generate positive cash flows for our strategic business objectives, and the pattern of utilization of a particular asset.

Revenue Recognition

We generate revenues from payments received (i) as royalties from licensing our ENHANZE technology and other royalty arrangements, (ii) under collaborative agreements and (iii) from sales of our proprietary and partnered products. We recognize revenue when we transfer promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. To determine revenue recognition for contracts with customers, we perform the following five steps: (i) identify the promised goods or services in the contract; (ii) identify the performance obligations in the contract, including whether they are distinct in the context of the contract; (iii) determine the transaction price, including the constraint on variable consideration; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) we satisfy the performance obligations.

ENHANZE and Device Royalties

Under the terms of our ENHANZE collaboration and license agreements, our partners will pay us royalties at an on average mid-single digit percent rate of their sales if products under the collaboration are commercialized. All amounts owed to us are noncancelable after the underlying triggering event occurs, and nonrefundable once paid. Unless terminated earlier in accordance with its terms, collaborations generally continue in effect until the last to expire royalty payment term, as determined on a product by product and country by country basis, with each royalty term starting on the first commercial sale of that product and ending the later of: (i) a specified period or term set forth in the agreement or (ii) expiration of the last to expire of the valid claims of our patents covering rHuPH20 or other specified patents developed under the collaboration which valid claim covers a product developed under the collaboration. In general, when there are no valid claims of a specified patent developed under the collaboration covering the product in a given country, the royalty rate is reduced for those sales in that country upon the expiration of our patents covering rHuPH20. Janssen's patents covering DARZALEX SC do not impact the timing for this royalty reduction. Partners may terminate the agreement prior to expiration for any reason in its entirety or on a target-by-target basis generally upon 90 days prior written notice to us. Upon any such termination, the license granted to

partners (in total or with respect to the terminated target, as applicable) will terminate provided; however, that in the event of expiration of the agreement (as opposed to a termination), the on-going licenses granted may become perpetual, non-exclusive and fully paid. Sales-based milestones and royalties are recognized in the period the underlying sales or milestones occur. We do not receive final royalty reports from our ENHANZE partners until after we complete our financial statements for a prior quarter. Therefore, we recognize revenue based on estimates of the royalty earned, which are based on internal estimates and available preliminary reports provided by our partners. We will record adjustments in the following quarter, if necessary, when final royalty reports are received. To date, we have not recorded any material adjustments.

We also earn royalties in connection with several of our licenses granted under license and development arrangements with our device partners. These royalties are based upon a percentage of commercial sales of partnered products with rates ranging from mid-single digits to low double digits and are tiered based on levels of net sales. These sales-based royalties, for which the license was deemed the predominant element to which the royalties relate, are estimated and recognized in the period in which the partners' commercial sales occur. The royalties are generally reported and payable to us within 45 to 60 days after the end of the period in which the commercial sales are made. We base our estimates of royalties earned on actual sales information from our partners when available or estimated prescription sales from external sources and estimated net selling price. We will record adjustments in the following quarter, if necessary, when final royalty reports are received. To date, we have not recorded any material adjustments.

Revenue under ENHANZE and Device Collaborative Agreements

ENHANZE Collaboration and License Agreements

Under these agreements, we grant the collaboration partner a worldwide license to develop and commercialize products using our ENHANZE technology to combine our patented rHuPH20 enzyme with their proprietary biologics directed at up to a specified number of targets. Targets are usually licensed on an exclusive, global basis. Targets selected subsequent to inception of the arrangement generally require payment of an additional license fee. The collaboration partner is responsible for all development, manufacturing, clinical, regulatory, sales and marketing costs for any products developed under the agreement. We are responsible for supply of bulk rHuPH20 based on the collaboration partner's purchase orders, and may also be separately engaged to perform research and development services. While these collaboration agreements are similar in that they originate from the same framework, each one is the result of an arms-length negotiation and thus may vary from one to the other.

We generally collect an upfront license payment from collaboration partners, and are also entitled to receive event-based payments subject to collaboration partners' achievement of specified development, regulatory and sales-based milestones. In several agreements, collaboration partners pay us annual fees to maintain their exclusive license rights if they are unable to advance product development to specified stages. We earn separate fees for bulk rHuPH20 supplies and research and development services.

Although these agreements are in form identified as collaborative agreements, we concluded for accounting purposes they represent contracts with customers and are not subject to accounting literature on collaborative arrangements. This is because we grant to partners licenses to our intellectual property and provide supply of bulk rHuPH20 and research and development services which are all outputs of our ongoing activities, in exchange for respective consideration. Under these collaborative agreements, our partners lead development of assets, and we do not share in significant financial risks of their development or commercialization activities. Accordingly, we concluded our collaborative agreements are appropriately accounted for pursuant to U.S. GAAP.

Under all of our ENHANZE collaborative agreements, we have identified licenses to use functional intellectual property as the only performance obligation. The intellectual property underlying the license is our proprietary ENHANZE technology which represents application of rHuPH20 to facilitate delivery of drugs. Each of the licenses grants the partners rights to use our intellectual property as it exists and is identified on the effective date of the license, because there is no ongoing development of the ENHANZE technology required. Therefore, we recognize revenue from licenses at the point when the license becomes effective and the partner has received access to our intellectual property, usually at the inception of the agreement.

When partners can select additional targets to add to the licenses granted, we consider these rights to be options. We evaluate whether such options contain material rights, i.e. have exercise prices that are discounted compared to what we would charge for a similar license to a new partner. The exercise price of these options includes a combination of the target selection fees, event-based milestone payments and royalties. When these amounts in aggregate are not offered at a discount that exceeds discounts available to other customers, we conclude the option does not contain a material right, and we consider grants of additional licensing rights upon option exercises to be separate contracts (target selection contracts).

Generally, we provide indemnification and protection of licensed intellectual property for our customers. These provisions are part of assurance that the licenses meet the agreements' representations and are not obligations to provide goods or services.

We also fulfill purchase orders for supply of bulk rHuPH20 and perform research and development services pursuant to project authorization forms for our partners, which represent separate contracts. In addition to our licenses, we price our supply of bulk rHuPH20 and research and development services at our regular selling prices, called standalone selling prices ("SSP"). Therefore, our partners do not have material rights to order these items at prices not reflective of SSP. Refer to the discussion below regarding recognition of revenue for these separate contracts.

Transaction price for a contract represents the amount to which we are entitled in exchange for providing goods and services to the customer. Transaction price does not include amounts subject to uncertainties unless it is probable that there will be no significant reversal of revenue when the uncertainty is resolved. Apart from the upfront license payment (or target selection fees in the target selection contracts), all other fees we may earn under our collaborative agreements are subject to significant uncertainties of product development. Achievement of many of the event-based development and regulatory milestones may not be probable until such milestones are actually achieved. This generally relates to milestones such as obtaining marketing authorization approvals. With respect to other development milestones, e.g., dosing of a first patient in a clinical trial, achievement could be considered probable prior to its actual occurrence, based on the progress towards commencement of the trial. In order to evaluate progress towards commencement of a trial, we assess the status of activities leading up to our partner's initiation of a trial such as feedback received from the applicable regulatory authorities, completion of Investigational New Drug ("IND") or equivalent filings, readiness and availability of drug, readiness of study sites and our partner's commitment of resources to the program. We do not include any amounts subject to uncertainties in the transaction price until it is probable that the amount will not result in a significant reversal of revenue in the future. At the end of each reporting period, we re-evaluate the probability of achievement of such milestones and any related constraint, and if necessary, adjust our estimate of the overall transaction price.

When target exchange rights are held by partners, and the amounts attributed to these rights are not refundable, they are included in the transaction price. However, they are recorded as deferred revenues because we have a potential performance obligation to provide a new target upon an exchange right being exercised. These amounts are recognized in revenue when the right of exchange expires or is exercised.

Because our agreements have one type of performance obligation (licenses) which are typically all transferred at the same time at agreement inception, allocation of transaction price often is not required. However, allocation is required when licenses for some of the individual targets are subject to rights of exchange, because revenue associated with these targets cannot be recognized. When allocation is needed, we perform an allocation of the upfront amount based on relative SSP of licenses for individual targets. We determine license SSP using an income-based valuation approach utilizing risk-adjusted discounted cash flow projections of the estimated return a licensor would receive where applicable or an alternative valuation method such as indicative value from historical transactions. When amounts subject to uncertainties, such as milestones and royalties, are included in the transaction price, we attribute them to the specific individual target licenses which generate such milestone or royalty amounts.

We also estimate SSP of bulk rHuPH20 and research and development services, to determine that our partners do not have material rights to order them at discounted prices. For supplies of bulk rHuPH20, because we effectively act as a contract manufacturer to our partners, we estimate and charge SSP based on the typical contract manufacturer margins consistent with all of our partners. We determine SSP of research and development services based on a fully-burdened labor rate. Our rates are comparable to those we observe in other collaborative agreements. We also have a history of charging similar rates to all of our partners.

Upfront amounts allocated to licenses to individual targets are recognized as revenue when the license is transferred to the partner, as discussed above, if the license is not subject to exchange rights, or when the exchange right expires or is exercised. Development milestones and other fees are recognized in revenue when they are included in the transaction price, because by that time, we have already transferred the related license to the partner.

In contracts to provide research and development services, such services represent the only performance obligation. The fees are charged based on hours worked by our employees and the fixed contractual rate per hour, plus third-party pass-through costs, on a monthly basis. We recognize revenues as the related services are performed based on the amounts billed, as the partner consumes the benefit of research and development work simultaneously as we perform these services, and the amounts billed reflect the value of these services to the customer.

Device License, Development and Supply Arrangements

We have several license, development and supply arrangements with pharmaceutical partners, under which we grant a license to our device technology and provide research and development services that often involve multiple performance obligations and highly-customized deliverables. For such arrangements, we identify each of the promised goods and services within the contract and the distinct performance obligations at inception of the contract and allocate consideration to each performance obligation based on relative SSP, which is generally determined based on the expected cost plus mark-up.

If the contract includes an enforceable right to payment for performance completed to date and performance obligations are satisfied over time, we recognize revenue over the development period using either the input or output method depending on which is most appropriate given the nature of the distinct deliverable. For other contracts that do not contain an enforceable right to payment for performance completed to date, revenue is recognized when control of the product is transferred to the customer. Factors that may indicate transfer of control has occurred include the transfer of legal title, transfer of physical possession, the customer has obtained the significant risks and rewards of ownership of the assets, and we have a present right to payment.

Our payment terms for development contracts may include an upfront payment equal to a percentage of the total contract value with the remaining portion to be billed upon completion and transfer of the individual deliverables or satisfaction of the individual performance obligations. We record a contract liability for cash received in advance of performance, which is presented as deferred revenue within accrued expense and other long-term liabilities in our condensed consolidated balance sheets and recognized as revenue in our condensed consolidated statements of income when the associated performance obligations have been satisfied.

License fees and milestones received in exchange for the grant of a license to our functional intellectual property, such as patented technology and know-how in connection with a partnered development arrangement, are generally recognized at inception of the arrangement, or over the development period depending on the facts and circumstances, as the license is generally not distinct from the non-licensed goods or services to be provided under the contract. Milestone payments that are contingent upon the occurrence of future events are evaluated and recorded at the most likely amount, and to the extent that it is probable that a significant reversal of revenue will not occur when the associated uncertainty is resolved.

Refer to Note 4, *Revenue*, for further discussion on our collaborative arrangements.

Product Sales, Net

Proprietary Product Sales

Our commercial portfolio of proprietary products includes XYOSTED and Hylenex recombinant which we sell primarily to wholesale pharmaceutical distributors and specialty pharmacies, who sell the products to hospitals, retail chain drug stores and other end-user customers. Sales to wholesalers are made pursuant to purchase orders subject to the terms of a master agreement, and delivery of individual packages of products represents performance obligations under each purchase order. We use contract manufacturers to produce our proprietary products and third-party logistics ("3PL") vendors to process and fulfill orders. We concluded we are the principal in the sales to wholesalers because we control access to services rendered by both vendors and direct their activities. We have no obligations to wholesalers to generate pull-through sales.

Revenue is recognized when control has transferred to the customer, which is typically upon delivery, at the net selling price, which reflects the variable consideration for which reserves and sales allowances are established for estimated returns, wholesale distribution fees, prompt payment discounts, government rebates and chargebacks, plan rebate arrangements and patient discount and support programs. We recognize revenue from product sales and related cost of sales upon product delivery to the wholesaler location. At that time, the wholesalers take control of the product as they take title, bear the risk of loss of ownership, and have an enforceable obligation to pay us. They also have the ability to direct sales of product to their customers on terms and at prices they negotiate. Although wholesalers have product return rights, we do not believe they have a significant incentive to return the product to us.

The determination of certain reserves and sales allowances requires us to make a number of judgements and estimates to reflect our best estimate of the transaction price and the amount of consideration to which we believe we would be ultimately entitled to receive. The expected value is determined based on unit sales data, contractual terms with customers and third-party payers, historical and estimated future percentage of rebates incurred on sales, historical and future insurance plan billings, any new or anticipated changes in programs or regulations that would impact the amount of the actual rebates, customer purchasing patterns, product expiration dates and levels of inventory in the distribution channel. The estimated amounts of credit for product returns, chargebacks, distribution fees, prompt payment discounts, rebates and customer co-pay support programs are included in accrued expenses and accounts receivable, net in our condensed consolidated balance sheets upon recognition of revenue from product sales. We monitor actual product returns, chargebacks, discounts and fees subsequent to the sale. If these amounts differ from our estimates, we make adjustments to these allowances, which are applied to increase or reduce product sales revenue and earnings in the period of adjustment.

Selling prices initially billed to wholesalers are subject to discounts for prompt payment and subsequent chargebacks when wholesalers sell our products at negotiated discounted prices to members of certain group purchasing organizations ("GPOs"), Pharmacy Benefit Managers ("PBMs") and government programs. We also pay quarterly distribution fees to certain wholesalers for inventory reporting and chargeback processing, and to PBMs and GPOs as administrative fees for services and for access to their members. We concluded the benefits received in exchange for these fees are not distinct from our sales of our products, and accordingly we apply these amounts to reduce revenues. Wholesalers also have rights to return unsold product

nearing or past the expiration date. Because of the shelf life of our products and our lengthy return period, there may be a significant period of time between when the product is shipped and when we issue credits on returned product.

We estimate the transaction price when we receive each purchase order taking into account the expected reductions of the selling price initially billed to the wholesaler arising from all of the above factors. We have compiled historical experience and data to estimate future returns and chargebacks of our products and the impact of the other discounts and fees we pay. When estimating these adjustments to the transaction price, we reduce it sufficiently to be able to assert that it is probable that there will be no significant reversal of revenue when the ultimate adjustment amounts are known.

Each purchase order contains only one type of product, and is usually shipped to the wholesaler in a single shipment. Therefore, allocation of the transaction price to individual packages is not required.

In connection with the orders placed by wholesalers, we incur costs such as commissions to our sales representatives. However, as revenue from product sales is recognized upon delivery to the wholesaler, which occurs shortly after we receive a purchase order, we do not capitalize these commissions and other costs, based on application of the practical expedient allowed within the applicable guidance.

Partnered Product Sales

Bulk rHuPH20

We sell bulk rHuPH20 to partners for use in research and development and, subsequent to receiving marketing approval, we sell it for use in collaboration commercial products. Sales are made pursuant to purchase orders subject to the terms of the collaborative agreement or a supply agreement, and delivery of units of bulk rHuPH20 represent performance obligations under each purchase order. We provide a standard warranty that the product conforms to specifications. We use contract manufacturers to produce bulk rHuPH20 and have concluded we are the principal in the sales to partners. The transaction price for each purchase order of bulk rHuPH20 is fixed based on the cost of production plus a contractual markup, and is not subject to adjustments. Allocation of the transaction price to individual quantities of the product is usually not required because each order contains only one type of product.

We recognize revenue from the sale of bulk rHuPH20 as product sales and related cost of sales upon transfer of title to our partners. At that time, the partners take control of the product, bear the risk of loss of ownership, and have an enforceable obligation to pay us.

Devices

We are party to several license, development, supply and distribution arrangements with pharmaceutical partners, under which we produce and are the exclusive supplier of certain products, devices and/or components. Revenue is recognized when or as control of the goods transfers to the customer as discussed below.

We are the exclusive supplier of OTREXUP® to Otter. Because this product is custom manufactured with no alternative use and we have a contractual right to payment for performance completed to date, control is continuously transferred to the customer as the product is produced pursuant to firm purchase orders. Revenue is recognized over time using the output method based on the contractual selling price and number of units produced. The amount of revenue recognized in excess of the amount shipped/billed to the customer, if any, is recorded as contract assets in our condensed consolidated balance sheets due to the short-term nature in which the amount is ultimately expected to be billed and collected from the customer.

Other device partnered product sales are recognized at the point in time in which control is transferred to the customer, which is typically upon shipment. Sales terms and pricing are governed by the respective supply and distribution agreements, and there is generally no right of return. Revenue is recognized at the transaction price, which includes the contractual per unit selling price and estimated variable consideration, such as volume-based pricing arrangements, if any. We recognize revenue, including the estimated variable consideration we expect to receive for contract margin on future commercial sales, upon shipment of the goods to our partner. The estimated variable consideration is recognized at an amount we believe is not subject to significant reversal of revenue based on historical experience and is adjusted at each reporting period if the most likely amount of expected consideration changes or becomes fixed.

Cost of Sales

Cost of sales consists primarily of raw materials, third-party manufacturing costs, fill and finish costs, freight costs, internal costs and manufacturing overhead associated with the production of proprietary and partnered products. Cost of sales also consists of the write-down of excess, dated and obsolete inventories and the write-off of inventories that do not meet certain product specifications, if any.

Research and Development Expenses

Research and development expenses include salaries and benefits, allocation of facilities and other overhead expenses, research related manufacturing services, contract services, and other outside expenses related to manufacturing, preclinical and regulatory activities and our partner development platforms. Research and development expenses are charged to operating expenses as incurred when these expenditures relate to our research and development efforts and have no alternative future uses.

We are obligated to make upfront payments upon execution of certain research and development agreements. Advance payments, including nonrefundable amounts, for goods or services that will be used or rendered for future research and development activities are deferred. Such amounts are recognized as expense as the related goods are delivered or the related services are performed or such time when we do not expect the goods to be delivered or services to be performed.

Share-Based Compensation

We record compensation expense associated with stock options, restricted stock units ("RSUs"), performance stock units ("PSUs") and shares issued under our employee stock purchase plan ("ESPP") in accordance with the authoritative guidance for share-based compensation. The cost of employee services received in exchange for an award of an equity instrument is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense on a straight-line basis over the requisite service period of the award. Share-based compensation expense for an award with a performance condition is recognized when the achievement of such performance condition is determined to be probable. If the outcome of such performance condition is not determined to be probable or is not met, no compensation expense is recognized and any previously recognized compensation expense is reversed. Forfeitures are recognized as a reduction of share-based compensation expense as they occur.

Income Taxes

We provide for income taxes using the liability method. Under this method, deferred income tax assets and liabilities are determined based on the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases at each reporting period. We measure deferred tax assets and liabilities using enacted tax rates for the year in which the differences are expected to reverse. Significant judgment is required by management to determine our provision for income taxes, our deferred tax assets and liabilities, and any associated valuation allowances recorded against our net deferred tax assets. Deferred tax assets ("DTA") and other tax benefits are recorded when they are more likely than not to be realized. On a quarterly basis, we assess the need for valuation allowance on our DTAs, weighing all positive and negative evidence, to assess if it is more-likely-than-not that some or all of our DTAs will be realized. We recorded a provision for income tax of $28.1 million and $71.8 million with an effective tax rate of 17.1% and 19.0% for the three and nine months ended September 30, 2024, respectively. The difference between our effective tax rates and the U.S. federal statutory rate of 21% is primarily due to a decrease from a share-based compensation windfall tax benefit, Foreign Derived Intangible Income ("FDII") deduction, and research and development credit generation, partially offset by state income tax and Section 162(m) disallowance.

Segment Information

We operate our business in one operating segment, which includes all activities related to the research, development and commercialization of our proprietary enzymes and devices. This segment also includes revenues and expenses related to (i) research and development and manufacturing activities conducted under our collaborative agreements with third parties, and (ii) product sales of proprietary and partnered products. The chief operating decision-maker ("CODM"), our Chief Executive Officer ("CEO"), reviews the operating results on an aggregate basis and manages the operations as a single operating segment.

Adoption and Pending Adoption of Recent Accounting Pronouncements

The following table provides a brief description of recently issued accounting standards, those adopted in the current period and those not yet adopted:

Standard	Description	Effective Date	Adoption Method	Effect on the Financial Statements or Other Significant Matters
In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures.	The new guidance is intended to improve annual and interim reportable segment disclosure requirements regardless of number of reporting units, primarily through enhanced disclosures of significant expenses. The amendment requires public entities to disclose significant segment expenses that are regularly provided to the CODM and included within each reported measure of segment profit and loss.	Annual periods beginning after December 15, 2023 (our 2024 Form 10-K), and interim periods within fiscal years beginning after December 15, 2024 (our Q1 2025 Form 10-Q) - Early adoption is permitted, including adoption in an interim period	Retrospective	We do not expect the standard to have a material effect on our consolidated financial statements, but will result in expanded segment disclosures.
In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures.	The new guidance includes amendments that further enhance income tax disclosures, primarily through standardization and disaggregation of rate reconciliation categories and income taxes paid by jurisdiction.	Annual periods beginning after December 15, 2024 (our 2025 Form 10-K) - Early adoption is permitted	Prospective or Retrospective	We are currently evaluating the impact of the standard on our consolidated financial statements and related disclosures.

3. Fair Value Measurement

Available-for-sale marketable securities consisted of the following (in thousands):

	September 30, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Asset-backed securities	$ 426	$ —	$ —	$ 426
Corporate debt securities	98,060	421	(10)	98,471
U.S. treasury securities	399,027	1,055	(50)	400,032
Agency bonds	13,049	10	—	13,059
Total marketable securities, available-for-sale	$ 510,562	$ 1,486	$ (60)	$ 511,988

	December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Asset-backed securities	$ 3,512	$ —	$ (8)	$ 3,504
Corporate debt securities	6,022	1	(10)	6,013
U.S. treasury securities	175,996	200	(12)	176,184
Agency bonds	16,119	—	(16)	16,103
Commercial paper	15,826	—	—	15,826
Total marketable securities, available-for-sale	$ 217,475	$ 201	$ (46)	$ 217,630

As of September 30, 2024, eight available-for-sale marketable securities with a fair market value of $74.0 million were in a gross unrealized loss position of $0.1 million. Based on our review of these marketable securities, we believe none of the unrealized loss is as a result of a credit loss as of September 30, 2024 because we do not intend to sell these securities and it is not more-likely-than-not that we will be required to sell these securities before the recovery of their amortized cost basis.

The estimated fair value of our contractual maturities of available-for-sale debt securities were as follows (in thousands):

	September 30, 2024	December 31, 2023
Due within one year	$ 301,345	$ 197,633
Due after one year but within five years	210,643	19,997
Total estimated fair value of contractual maturities, available-for-sale	$ 511,988	$ 217,630

The following table summarizes, by major security type, our cash equivalents and available-for-sale marketable securities measured at fair value on a recurring basis and are categorized using the fair value hierarchy (in thousands):

	September 30, 2024			December 31, 2023		
	Level 1	Level 2	Total Estimated Fair Value	Level 1	Level 2	Total Estimated Fair Value
Assets						
Cash equivalents						
Money market funds	$ 34,713	$ —	$ 34,713	$ 22,142	$ —	$ 22,142
U.S. treasury securities	—	—	—	2,000	—	2,000
Available-for-sale marketable securities						
Asset-backed securities	—	426	426	—	3,504	3,504
Corporate debt securities	—	98,471	98,471	—	6,013	6,013
U.S. treasury securities	400,032	—	400,032	176,184	—	176,184
Agency bonds	13,059	—	13,059	16,103	—	16,103
Commercial paper	—	—	—	—	15,826	15,826
Total assets	$ 447,804	$ 98,897	$ 546,701	$ 216,429	$ 25,343	$ 241,772
Liabilities						
Derivative instruments						
Currency hedging contracts [1]	$ —	$ 7,894	$ 7,894	$ —	$ 9,480	$ 9,480

[1] Based on observable market transactions of spot currency rates, forward currency rates or equivalently-termed instruments. Carrying amounts of the financial assets and liabilities are equal to the fair value. As of September 30, 2024, the derivative liabilities recorded within accrued expenses and other long-term liabilities in our condensed consolidated balance sheets were $1.9 million and $6.0 million, respectively.

We had no available-for-sale securities that were classified within Level 3 as of September 30, 2024 and December 31, 2023.

4. Revenue

Our disaggregated revenues were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Royalties	$ 155,061	$ 114,433	$ 400,572	$ 325,813
Product sales, net				
Proprietary product sales	39,925	31,511	119,319	91,765
Bulk rHuPH20 sales	31,493	37,001	66,637	86,203
Device partnered product sales	15,241	18,057	38,172	43,284
Total product sales, net	86,659	86,569	224,128	221,252
Revenues under collaborative agreements				
Upfront license and target nomination fees	27,000	—	27,000	—
Event-based development and regulatory milestones and other fees	18,000	13,000	57,500	46,000
Device licensing and development revenue	3,364	2,031	8,116	6,149
Total revenues under collaborative agreements	48,364	15,031	92,616	52,149
Total revenues	$ 290,084	$ 216,033	$ 717,316	$ 599,214

During the three months ended September 30, 2024, we recognized revenue related to licenses granted to partners in prior periods in the amount of $173.1 million. This amount represents royalties earned in the current period in addition to $18.0 million of variable consideration in the contracts where uncertainties were resolved and the development milestones are expected to be achieved or were achieved. Revenue recognized during the three months ended September 30, 2024 that had been included in accrued expense and other long-term liabilities in our condensed consolidated balance sheets as of December 31, 2023 was not material.

During the nine months ended September 30, 2024, we recognized revenue related to licenses granted to partners in prior periods in the amount of $458.1 million. This amount represents royalties earned in the current period in addition to $57.5 million of variable consideration in the contracts where uncertainties were resolved and the development milestones are expected to be achieved or were achieved. We also recognized revenue of $0.6 million during the nine months ended September 30, 2024 that had been included in accrued expense and other long-term liabilities in our condensed consolidated balance sheets as of December 31, 2023.

Accounts receivable, net, other contract assets and deferred revenues (contract liabilities) from contracts with customers, including partners, consisted of the following (in thousands):

	September 30, 2024	December 31, 2023
Accounts receivable, net	$ 273,062	$ 233,254
Other contract assets	12,681	956
Deferred revenues	9,126	4,048

As of September 30, 2024, the amounts included in the transaction price of our contracts with customers, including collaboration partners, and allocated to goods and services not yet provided were $88.3 million, of which $79.2 million relates to unfulfilled product purchase orders and $9.1 million has been collected and is reported as accrued expense and other long-term liabilities in our condensed consolidated balance sheets. The unfulfilled product purchase orders are estimated to be delivered by the end of 2025. Of the total deferred revenues of $9.1 million, $0.8 million is expected to be used by our customers within the next 12 months.

We recognized contract assets of $12.7 million as of September 30, 2024, which related to development milestones deemed probable of receipt for intellectual property licenses granted to partners in prior periods and for goods or services when control has transferred to the customer, and corresponding revenue is recognized on an over time basis but is not yet billable to the customer in accordance with the terms of the contract.

5. Certain Balance Sheet Items

Accounts receivable, net and contract assets consisted of the following (in thousands):

	September 30, 2024	December 31, 2023
Accounts receivable from product sales to partners	$ 36,912	$ 58,588
Accounts receivable from revenues under collaborative agreements	39,603	16,183
Accounts receivable from royalty payments	150,155	118,170
Accounts receivable from other product sales	52,981	47,060
Contract assets	12,681	956
Total accounts receivable and contract assets	292,332	240,957
Allowance for distribution fees and discounts	(6,589)	(6,747)
Total accounts receivable, net and contract assets	$ 285,743	$ 234,210

Inventories consisted of the following (in thousands):

	September 30, 2024	December 31, 2023
Raw materials	$ 30,579	$ 23,646
Work-in-process	14,886	34,025
Finished goods	143,518	69,930
Total inventories	188,983	127,601
Less long-term portion [(1)]	(57,571)	—
Total inventories, current	$ 131,412	$ 127,601

[(1)] Long-term portion of inventories represents inventory expected to remain on hand beyond one year and therefore is included in prepaid expenses and other assets in the condensed consolidated balance sheets.

Prepaid expenses and other assets consisted of the following (in thousands):

	September 30, 2024	December 31, 2023
Prepaid manufacturing expenses	$ 31,055	$ 36,850
Other prepaid expenses	18,476	12,902
Long-term inventories	57,571	—
Other assets	16,564	16,677
Total prepaid expenses and other assets	123,666	66,429
Less long-term portion	(80,151)	(17,816)
Total prepaid expenses and other assets, current	$ 43,515	$ 48,613

Prepaid manufacturing expenses include raw materials, slot reservation fees and other amounts paid to contract manufacturing organizations. Such amounts are reclassified to work-in-process inventory as materials are used or the contract manufacturing organization services are complete.

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

	September 30, 2024	December 31, 2023
Research equipment	$ 8,621	$ 8,588
Manufacturing equipment	38,762	32,472
Computer and office equipment	9,410	9,722
Leasehold improvements	6,995	6,987
Subtotal	63,788	57,769
Accumulated depreciation and amortization	(23,812)	(19,661)
Subtotal	39,976	38,108
Right of use of assets	34,514	36,836
Total property and equipment, net	$ 74,490	$ 74,944

Depreciation and amortization expense was approximately $2.6 million and $2.7 million, inclusive of ROU asset amortization of $1.4 million and $1.4 million for the three months ended September 30, 2024 and 2023, respectively.

Depreciation and amortization expense was approximately $7.6 million and $8.2 million, inclusive of ROU asset amortization of $4.3 million and $4.2 million for the nine months ended September 30, 2024 and 2023, respectively.

Accrued expenses consisted of the following (in thousands):

	September 30, 2024	December 31, 2023
Accrued compensation and payroll taxes	$ 17,441	$ 17,361
Accrued outsourced manufacturing expenses	11,179	12,361
Taxes payable	3,517	963
Product returns and sales allowance	44,718	41,932
Other accrued expenses	29,213	33,584
Lease liability	30,755	32,197
Total accrued expenses	136,823	138,398
Less long-term portion	(40,406)	(37,720)
Total accrued expenses, current	$ 96,417	$ 100,678

Expense associated with the accretion of the lease liabilities was approximately $0.5 million and $0.6 million for the three months ended September 30, 2024 and 2023, respectively and $1.7 million and $1.9 million for the nine months ended September 30, 2024 and 2023, respectively. Total lease expense for the three months ended September 30, 2024 and 2023 was $2.0 million and $2.0 million, respectively, and $6.0 million and $6.1 million for the nine months ended September 30, 2024 and 2023, respectively.

Cash paid for amounts related to leases for the three months ended September 30, 2024 and 2023 was $1.6 million and $1.6 million, respectively, and $5.1 million and $5.0 million for the nine months ended September 30, 2024 and 2023, respectively.

6. Goodwill and Intangible Assets

Goodwill

A summary of the activity impacting goodwill is presented below (in thousands):

Balance as of December 31, 2023	$ 416,821
Adjustment	—
Balance as of September 30, 2024	$ 416,821

Intangible Assets

Our acquired intangible assets are amortized using the straight-line method over their estimated useful lives of seven to ten years. The following table shows the cost, accumulated amortization and weighted average useful life in years for our acquired intangible assets as of September 30, 2024 (in thousands).

	Weighted Average Useful Life (in years)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Auto Injector technology platform	7	$ 402,000	$ 135,235	$ 266,765
XYOSTED proprietary product	10	136,200	32,073	104,127
Total finite-lived intangibles, net		$ 538,200	$ 167,308	$ 370,892
ATRS-1902 (IPR&D)	Indefinite			48,700
Total intangibles, net				$ 419,592

Estimated future annual amortization of finite-lived intangible assets is shown in the following table (in thousands). Actual amortization expense to be reported in future periods could differ from these estimates as a result of acquisitions, divestitures, and asset impairments, among other factors.

Year	Amortization Expense
Remainder of 2024	$ 17,762
2025	71,049
2026	71,049
2027	71,049
2028	71,049
Thereafter	68,934
Total	$ 370,892

7. Long-Term Debt, Net

1.00% Convertible Notes due 2028

In August 2022, we completed the sale of $720.0 million in aggregate principal amount of 1.00% Convertible Senior Notes due 2028 (the "2028 Convertible Notes"). The net proceeds in connection with the issuance of the 2028 Convertible Notes, after deducting the initial purchasers' fee of $18.0 million, was approximately $702.0 million. We also incurred additional debt issuance costs totaling $1.0 million. Debt issuance costs and the initial purchasers' fee are presented as a debt discount.

The 2028 Convertible Notes pay interest semi-annually in arrears on February 15th and August 15th of each year at an annual rate of 1.00%. The 2028 Convertible Notes are general unsecured obligations and rank senior in right of payment to all indebtedness that is expressly subordinated in right of payment to the 2028 Convertible Notes, rank equally in right of payment with all existing and future liabilities that are not so subordinated, are effectively junior to any secured indebtedness to the extent of the value of the assets securing such indebtedness, and are structurally subordinated to all indebtedness and other liabilities (including trade payables) of our current or future subsidiaries. The 2028 Convertible Notes have a maturity date of August 15, 2028.

Holders may convert their 2028 Convertible Notes at their option only in the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on December 31, 2022, if the last reported sale price per share of common stock exceeds 130% of the conversion price for each of at least 20 trading days during the 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter; (2) during the five consecutive business days immediately after any five consecutive trading day period (such five consecutive trading day period, the "measurement period") in which the trading price per $1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price per share of our common stock on such trading day and the conversion rate on such trading day; (3) upon the occurrence of certain corporate events or distributions on our common stock, as described in the offering memorandum for the 2028 Convertible Notes; (4) if we call such notes for redemption; and (5) at any time from, and including, February 15, 2028 until the close of business on the second scheduled trading day immediately before the maturity date. As of September 30, 2024, the 2028 Convertible Notes were not convertible.

Upon conversion, we will pay cash for the settlement of principal, and for the premium, if applicable, we will pay cash, deliver shares of common stock or a combination of cash and shares of common stock, at our election. The initial conversion rate for the 2028 Convertible Notes is 17.8517 shares of common stock per $1,000 in principal amount of 2028 Convertible Notes, equivalent to a conversion price of approximately $56.02 per share of our common stock. The conversion rate is subject to adjustment in some events but will not be adjusted for any accrued or unpaid interest.

As of September 30, 2024, we were in compliance with all covenants and there was no material adverse change in our business, operations or financial condition.

Capped Call Transactions

In connection with the offering of the 2028 Convertible Notes, we entered into capped call transactions with certain counterparties (the "Capped Call Transactions"). The Capped Call Transactions are expected generally to reduce potential dilution to holders of our common stock upon conversion of the 2028 Convertible Notes or at our election (subject to certain conditions) offset any cash payments we are required to make in excess of the principal amount of such converted 2028 Convertible Notes. The cap price of the Capped Call Transactions is initially $75.4075 per share of common stock, representing a premium of 75% above the last reported sale price of $43.09 per share of common stock on August 15, 2022, and is subject to certain adjustments under the terms of the Capped Call Transactions. As of September 30, 2024, no capped calls had been exercised.

Pursuant to their terms, the capped calls qualify for classification within stockholders' equity in our condensed consolidated balance sheets, and their fair value is not remeasured and adjusted as long as they continue to qualify for stockholders' equity classification. We paid approximately $69.1 million for the Capped Calls, including applicable transaction costs, which was recorded as a reduction to additional paid-in capital in our condensed consolidated balance sheets. The Capped Call Transactions are separate transactions entered into by us with the capped call Counterparties, are not part of the terms of the Convertible Notes, and do not affect any holder's rights under the Convertible Notes. Holders of the Convertible Notes do not have any rights with respect to the Capped Call Transactions.

0.25% Convertible Notes due 2027

In March 2021, we completed the sale of $805.0 million in aggregate principal amount of 0.25% Convertible Senior Notes due 2027 (the "2027 Convertible Notes"). The net proceeds in connection with the issuance of the 2027 Convertible Notes, after deducting the initial purchasers' fee of $20.1 million, was approximately $784.9 million. We also incurred additional debt issuance costs totaling $0.4 million. Debt issuance costs and the initial purchasers' fee are presented as a debt discount.

The 2027 Convertible Notes pay interest semi-annually in arrears on March 1st and September 1st of each year at an annual rate of 0.25%. The 2027 Convertible Notes are general unsecured obligations and rank senior in right of payment to all indebtedness that is expressly subordinated in right of payment to the 2027 Convertible Notes, rank equally in right of payment with all existing and future liabilities that are not so subordinated, are effectively junior to any secured indebtedness to the extent of the value of the assets securing such indebtedness and are structurally subordinated to all indebtedness and other liabilities (including trade payables) of our current or future subsidiaries. The 2027 Convertible Notes have a maturity date of March 1, 2027.

Holders may convert their 2027 Convertible Notes at their option only in the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on June 30, 2021, if the last reported sale price per share of common stock exceeds 130% of the conversion price for each of at least 20 trading days during the 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter; (2) during the five consecutive business days immediately after any five consecutive trading day period (such five consecutive trading day period, the "measurement period") in which the trading price per $1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price per share of our common stock on such trading day and the conversion rate on such trading day; (3) upon the occurrence of certain corporate events or distributions on our common stock, as described in the offering memorandum for the 2027 Convertible Notes; (4) if we call such notes for redemption; and (5) at any time from, and including, September 1, 2026 until the close of business on the scheduled trading day immediately before the maturity date. As of September 30, 2024, the 2027 Convertible Notes were not convertible.

Upon conversion, we will pay cash for the settlement of principal and for the premium, if applicable, we will pay cash, deliver shares of common stock or a combination of cash and shares of common stock, at our election. The initial conversion rate for the 2027 Convertible Notes is 12.9576 shares of common stock per $1,000 in principal amount of 2027 Convertible Notes, equivalent to a conversion price of approximately $77.17 per share of our common stock. The conversion rate is subject to adjustment.

As of September 30, 2024, we were in compliance with all covenants and there was no material adverse change in our business, operations or financial condition.

1.25% Convertible Notes due 2024

In November 2019, we completed the sale of $460.0 million in aggregate principal amount of 1.25% Convertible Senior Notes due 2024 (the "2024 Convertible Notes"). The net proceeds in connection with the issuance of the 2024 Convertible Notes, after deducting the initial purchasers' fee of $12.7 million, was approximately $447.3 million. We also incurred debt issuance cost totaling $0.3 million. Debt issuance costs and the initial purchasers' fee were presented as a debt discount.

In January 2021, we notified the note holders of our irrevocable election to settle the principal of the 2024 Convertible Notes in cash and for the premium, to deliver shares of common stock. The conversion rate for the 2024 Convertible Notes was 41.9208 shares of common stock per $1,000 in principal amount of 2024 Convertible Notes, equivalent to a conversion price of approximately $23.85 per share of our common stock. The conversion rate was subject to adjustment.

In January 2023, we issued a notice for the redemption of 2024 Convertible Notes. Holders of the notes could convert their notes at any time prior to the close of the business day prior to the redemption date. In March 2023, holders of the notes elected to convert the 2024 Convertible Notes in full. In connection with the conversion, we paid approximately $13.5 million in cash which included principal and accrued interest, and issued 288,886 shares of our common stock representing the intrinsic value based on the contractual conversion rate.

Net Carrying Amounts of our Convertible Notes

The carrying amount and fair value of our Convertible Notes were as follows (in thousands).

	September 30, 2024	December 31, 2023
Principal amount		
2027 Convertible Notes	$ 805,000	$ 805,000
2028 Convertible Notes	720,000	720,000
Total principal amount	$ 1,525,000	$ 1,525,000
Unamortized debt discount		
2027 Convertible Notes	$ (8,378)	$ (10,950)
2028 Convertible Notes	(12,468)	(14,802)
Total unamortized debt discount	$ (20,846)	$ (25,752)
Carrying amount		
2027 Convertible Notes	$ 796,622	$ 794,050
2028 Convertible Notes	707,532	705,198
Total carrying amount	$ 1,504,154	$ 1,499,248
Fair value based on trading levels (Level 2)		
2027 Convertible Notes	$ 807,721	$ 695,826
2028 Convertible Notes	853,754	670,522
Total fair value of outstanding notes	$ 1,661,475	$ 1,366,348
Remaining amortization per period of debt discount (in years)		
2027 Convertible Notes	2.4	3.2
2028 Convertible Notes	3.9	4.6

The following table summarizes the components of interest expense and the effective interest rates for each of our Convertible Notes (in thousands).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Coupon interest				
2024 Convertible Notes	$ —	$ —	$ —	$ 36
2027 Convertible Notes	503	503	1,509	1,509
2028 Convertible Notes	1,800	1,800	5,400	5,400
Total coupon interest	$ 2,303	$ 2,303	$ 6,909	$ 6,945
Amortization of debt discount				
2024 Convertible Notes	$ —	$ —	$ —	$ 24
2027 Convertible Notes	859	853	2,572	2,555
2028 Convertible Notes	781	770	2,334	2,301
Total amortization of debt discount	$ 1,640	$ 1,623	$ 4,906	$ 4,880
Interest expense				
2024 Convertible Notes	$ —	$ —	$ —	$ 60
2027 Convertible Notes	1,362	1,356	4,081	4,064
2028 Convertible Notes	2,581	2,570	7,734	7,701
Total interest expense	$ 3,943	$ 3,926	$ 11,815	$ 11,825
Effective interest rates				
2027 Convertible Notes	0.7 %	0.7 %	0.7 %	0.7 %
2028 Convertible Notes	1.5 %	1.5 %	1.5 %	1.5 %

Revolving Credit and Term Loan Facilities

In May 2022, we entered into a credit agreement, which was subsequently amended in August 2022 (the "Amendment"), with Bank of America, N.A., as Administrative Agent, Swing Line Lender and an L/C Issuer, and the other lenders and L/C Issuers party thereto (the "2022 Credit Agreement"), evidencing a credit facility (the "2022 Facility") that provides for (i) a $575 million revolving credit facility (the "Revolving Credit Facility") and (ii) a $250 million term loan facility (the "Term Facility"). Concurrently, with the entry into the Amendment, we repaid the entire outstanding Term Loan Facility and repaid all outstanding loans under the Revolving Credit Facility under the 2022 Credit Agreement. The 2022 Facility will mature on November 30, 2026 unless either the Revolving Credit Facility or the Term Facility is extended prior to such date in accordance with the 2022 Credit Agreement.

The Term Facility requires quarterly scheduled repayments of the term loans in each of the first, second, third and fourth years following the closing in annual amounts equal to 2.50%, 5.00%, 7.50% and 10.00% of the initial principal amount of the term loans, respectively. The term loans are also subject to mandatory prepayments from the proceeds of certain asset sales, subject to our right to reinvest the proceeds thereof.

Borrowings under the 2022 Facility bear interest, at our option, at a rate equal to an applicable margin plus: (a) the applicable Term Secured Overnight Financing Rate ("SOFR") (which includes a SOFR adjustment of 0.10%), or (b) a base rate determined by reference to the highest of (1) the federal funds effective rate plus 0.50%, (2) the Bank of America prime rate, (3) the Term SOFR rate for an interest period of one month plus 1.10%, and (4) 1.00%. The margin for the 2022 Facility ranges, based on our consolidated total net leverage ratio, from 0.25% to 1.25% in the case of base rate loans and from 1.25% to 2.25% in the case of Term SOFR rate loans. In addition to paying interest on the outstanding principal under the Facility, we will pay (i) a commitment fee in respect of the unutilized commitments thereunder and (ii) customary letter of credit fees and agency fees. The commitment fees range from 0.15% to 0.35% per annum based on our consolidated net leverage ratio.

As of September 30, 2024, the Revolving Credit Facility was undrawn. We incurred a total of $3.6 million in third-party costs related to the 2022 Credit Agreement which are recorded as debt issuance cost within prepaid expenses and other assets in our condensed consolidated balance sheets. As of September 30, 2024, the unamortized debt issuance cost related to the revolving credit facility was $1.7 million.

8. Share-based Compensation

The following table summarized share-based compensation expense included in our condensed consolidated statements of income related to share-based awards (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Research and development	$ 3,598	$ 3,159	$ 9,511	$ 9,931
Selling, general and administrative	8,980	6,208	22,412	17,025
Total share-based compensation expense	$ 12,578	$ 9,367	$ 31,923	$ 26,956

Share-based compensation expense by type of share-based award was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Stock options	$ 3,922	$ 4,290	$ 12,115	$ 11,935
RSUs, PSUs and ESPP	8,656	5,077	19,808	15,021
Total share-based compensation expense	$ 12,578	$ 9,367	$ 31,923	$ 26,956

We granted stock options to purchase approximately 0.6 million and 1.8 million shares of common stock during the nine months ended September 30, 2024 and 2023, respectively. The exercise price of stock options granted is equal to the closing price of the common stock on the date of grant. The fair value of each option award is estimated on the date of grant using the Black-Scholes-Merton option pricing model ("Black-Scholes Model"). Expected volatility is based on historical volatility of our common stock. The expected term of options granted is based on analyses of historical employee termination rates and option exercises. The risk-free interest rate is based on the U.S. Treasury yield for a period consistent with the expected term of the option in effect at the time of the grant. The dividend yield assumption is based on the expectation of no future dividend payments. The assumptions used in the Black-Scholes Model were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Expected volatility	40.35 - 40.46%	40.70 - 40.82%	40.01 - 40.46%	39.68 - 40.82%
Average expected term (in years)	4.8	4.9	5.0	4.8
Risk-free interest rate	3.65 - 4.44%	4.19 - 4.29%	3.65 - 4.70%	3.37 - 4.29%
Expected dividend yield	—	—	—	—

In February 2021, our Board of Directors approved our 2021 ESPP and our stockholders approved the plan in May 2021. The ESPP enables eligible employees to purchase shares of our common stock at the end of each offering period at a price equal to 85% of the fair market value of the shares on the first business day or the last business day of the offering period, whichever is lower. Share purchases are funded through payroll deduction of at least 1% and up to 15% of an employee's compensation for each payroll period, and no employee may purchase shares under the ESPP that exceeds $25,000 worth of our common stock for a calendar year. As of September 30, 2024, 2,579,790 shares were available for future purchase. The offering period is generally for a six-month period and the first offering period commenced on June 16, 2021. Offering periods shall commence on or about the sixteenth day of June and December of each year and end on or about the fifteenth day of the next December and June, respectively, occurring thereafter. During the nine months ended September 30, 2024, 24,432 shares were issued pursuant to the ESPP.

Total unrecognized estimated compensation cost by type of award and the weighted-average remaining requisite service period over which such expense is expected to be recognized was as follows (in thousands, unless otherwise noted):

	September 30, 2024	
	Unrecognized Expense	**Remaining Weighted-Average Recognition Period** (in years)
Stock options	$ 31,097	2.38
RSUs	45,008	2.71
PSUs	17,608	1.80
ESPP	112	0.18

9. Stockholders' Equity

During the nine months ended September 30, 2024 and 2023, we issued an aggregate of 1,107,442 and 455,702 shares of common stock, respectively, in connection with the exercises of stock options at a weighted average exercise price of $27.03 and $18.10 per share, respectively, for net proceeds of approximately $29.9 million and $8.2 million, respectively. For the nine months ended September 30, 2024 and 2023, we issued 347,502 and 328,115 shares of common stock, respectively, upon vesting of certain RSUs and PSUs for which the RSU and PSU holders surrendered 88,825 and 70,733 RSUs and PSUs, respectively. Stock options and unvested restricted units totaling approximately 7.4 million and 7.8 million shares of our common stock were outstanding as of September 30, 2024 and December 31, 2023, respectively.

Share Repurchases

In December 2021, the Board of Directors authorized a second capital return program to repurchase up to $750.0 million of outstanding stock over a three-year period which we completed in June 2024. A total of 19.1 million shares were repurchased over the three-year period at an average price per share of $39.31. All shares repurchased under our capital return programs have been retired and have resumed their status of authorized and unissued shares.

In February 2024, our Board of Directors authorized a new capital return program to repurchase up to $750.0 million of our outstanding common stock.

10. Earnings per share

Basic earnings per share is computed by dividing net income for the period by the weighted average number of common shares outstanding during the period, without consideration for common stock equivalents. Outstanding stock options, unvested RSUs, unvested PSUs, common shares expected to be issued under our ESPP and the Convertible Notes are considered common stock equivalents and are only included in the calculation of diluted earnings per common share when net income is reported and their effect is dilutive.

Potentially dilutive common shares issuable upon vesting of stock options, RSUs and PSUs are determined using the average share price for each period under the treasury stock method. Potentially dilutive common shares issuable upon conversion of the Convertible Notes are determined using the if-converted method. Since we have committed to settle the principal amount of the Convertible Notes in cash upon conversion only, the number of shares for the conversion spread will be included as a dilutive common stock equivalent.

A reconciliation of the numerators and the denominators of the basic and diluted earnings per share computations is as follows (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Numerator				
Net income	$ 137,011	$ 81,837	$ 307,079	$ 196,206
Denominator				
Weighted average common shares outstanding for basic earnings per share	126,850	131,965	126,969	132,896
Dilutive potential common stock outstanding				
Stock options	2,174	1,830	1,844	1,882
RSUs, PSUs and ESPP	817	288	615	378
Convertible Notes	293	—	98	77
Weighted average common shares outstanding for diluted earnings per share	130,134	134,083	129,526	135,233
Earnings per share				
Basic	$ 1.08	$ 0.62	$ 2.42	$ 1.48
Diluted	$ 1.05	$ 0.61	$ 2.37	$ 1.45

Shares which have been excluded from the calculation of diluted earnings per common share because their effect was anti-dilutive include the following (shares in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Anti-dilutive securities [(1)]	24.0	27.4	26.1	27.6

[(1)] The anti-dilutive securities include outstanding stock options, unvested RSUs, unvested PSUs, common shares expected to be issued under our ESPP and Convertible Notes.

11. Commitments and Contingencies

From time to time, we may be involved in disputes, including litigation, relating to claims arising out of operations in the normal course of our business. Any of these claims could subject us to costly legal expenses and, while we generally believe that we have adequate insurance to cover many different types of liabilities, our insurance carriers may deny coverage or our policy limits may be inadequate to fully satisfy any damage awards or settlements. If this were to happen, the payment of any such awards could have a material adverse effect on our condensed consolidated statements of income and balance sheets. Additionally, any such claims, whether or not successful, could damage our reputation and business. We currently are not a party to any legal proceedings, the adverse outcome of which, in our opinion, individually or in the aggregate, would have a material adverse effect on our condensed consolidated statements of income or balance sheets.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

As used in this Quarterly Report on Form 10-Q, unless the context suggests otherwise, references to "Halozyme," "the Company," "we," "our," "ours," and "us" refer to Halozyme Therapeutics, Inc., its wholly owned subsidiaries, Halozyme, Inc., Antares Pharma Inc., and Antares Pharma Inc.'s wholly owned subsidiaries, Antares Pharma IPL AG and Antares Pharma AG. References to "Notes" refer to the notes to the condensed consolidated financial statements included herein (refer to Item 1 of Part I).

The following information should be read in conjunction with the condensed consolidated financial statements and notes thereto included in Item 1 of this Quarterly Report on Form 10-Q, as well as the audited financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2023, included in our Annual Report on Form 10-K for the year ended December 31, 2023. Past financial or operating performance is not necessarily a reliable indicator of future performance, and our historical performance should not be used to anticipate results or future period trends.

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, provisions of Section 21E of the securities and Exchange Act, as amended, and Section 27A of the Securities Act of 1933, as amended. All statements in this report other than statements of historical fact, included herein, including without limitation those regarding our future product development and regulatory events and goals, product collaborations, our business intentions and financial statements and anticipated results, are, or may be deemed to be, forward-looking statements. Words such as "expect," "anticipate," "intend," "plan," "believe," "seek," "estimate," "think," "may," "could," "will," "would," "should," "continue," "potential," "likely," "opportunity," "project" and similar expressions or variations of such words are intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements in this Quarterly Report on Form 10-Q. Additionally, statements concerning future matters such as the development or regulatory approval of new partner products, enhancements of existing products or technologies, timing and success of the launch of new products by us and our partners, third-party performance under key collaboration agreements, the ability of our bulk drug and device part manufacturers to provide adequate supply for our partners, revenue, expense, cash burn levels and our ability to make timely repayments of debt, anticipated amounts and timing of share repurchases, anticipated profitability and expected trends and other statements regarding our plans and matters that are not historical are forward-looking statements. Such statements reflect management's current forecast of certain aspects of our future business, are based on currently available operating, financial and competitive information and are subject to various risks, uncertainties and assumptions that could cause actual results to differ materially from those anticipated or implied in our forward-looking statements due to a number of factors including, but not limited to, the Risk Factors set forth in our most recent Annual Report on Form 10-K referred to below under the section entitled "Risks Factors" and elsewhere in this Quarterly Report on Form 10-Q and our most recent Annual Report on Form 10-K. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this Quarterly Report on Form 10-Q.

Overview

Halozyme Therapeutics, Inc. is a biopharmaceutical company advancing disruptive solutions to improve patient experiences and outcomes for emerging and established therapies.

As the innovators of ENHANZE® drug delivery technology ("ENHANZE") with our proprietary enzyme rHuPH20, our commercially validated solution is used to facilitate the subcutaneous ("SC") delivery of injected drugs and fluids, with the goal of improving the patient experience with rapid SC delivery and reduced treatment burden. We license our technology to biopharmaceutical companies to collaboratively develop products that combine ENHANZE with our partners' proprietary compounds. We also develop, manufacture and commercialize, for ourselves or with our partners, drug-device combination products using our advanced auto-injector technologies that are designed to provide commercial or functional advantages such as improved convenience, reliability and tolerability, and enhanced patient comfort and adherence.

Our ENHANZE partners' approved products and product candidates are based on rHuPH20, our patented recombinant human hyaluronidase enzyme. rHuPH20 works by breaking down hyaluronan ("HA"), a naturally occurring carbohydrate that is a major component of the extracellular matrix of the SC space. This temporarily reduces the barrier to bulk fluid flow allowing for improved and more rapid SC delivery of high dose, high volume injectable biologics, such as monoclonal antibodies and other large therapeutic molecules, as well as small molecules and fluids. We refer to the application of rHuPH20 to facilitate the delivery of other drugs or fluids as ENHANZE. We license our ENHANZE technology to form collaborations with biopharmaceutical companies that develop and/or market drugs requiring or benefiting from injection via the SC route of administration. In the development of proprietary intravenous ("IV") drugs combined with our ENHANZE technology, data have been generated supporting the potential for ENHANZE to reduce patient treatment burden, as a result of shorter duration of SC administration with ENHANZE compared to IV administration. ENHANZE may enable fixed-dose SC dosing compared to weight-based dosing typically required for IV administration, extend the dosing interval for drugs that are already administered subcutaneously and potentially allow for lower rates of infusion-related reactions. ENHANZE may enable more flexible treatment options such as home administration by a healthcare professional or potentially the patient or caregiver. Lastly, certain proprietary drugs co-formulated with ENHANZE have been granted additional exclusivity, extending the patent life of the product beyond the patent expiry of the proprietary IV drug.

We currently have ENHANZE collaborations and licensing agreements with F. Hoffmann-La Roche, Ltd. and Hoffmann-La Roche, Inc. ("Roche"), Takeda Pharmaceuticals International AG and Baxalta US Inc. ("Takeda"), Pfizer Inc. ("Pfizer"), Janssen Biotech, Inc. ("Janssen"), AbbVie, Inc. ("AbbVie"), Eli Lilly and Company ("Lilly"), Bristol Myers Squibb Company ("BMS"), argenx BVBA ("argenx"), ViiV Healthcare (the global specialist HIV Company majority owned by GlaxoSmithKline) ("ViiV"), Chugai Pharmaceutical Co., Ltd. ("Chugai") and Acumen Pharmaceuticals, Inc. ("Acumen"). In addition to receiving upfront licensing fees from our ENHANZE collaborations, we are entitled to receive event and sales-based milestone payments, revenues from the sale of bulk rHuPH20 and royalties from commercial sales of approved partner products co-formulated with ENHANZE. We currently earn royalties from the sales of eight commercial products including sales of one commercial product from each of the Takeda, Janssen and argenx collaborations and five commercial products from the Roche collaboration.

We have commercialized auto-injector products with Teva Pharmaceutical Industries, Ltd. ("Teva") and Otter Pharmaceuticals, LLC ("Otter"). We have development programs including auto-injectors with Idorsia Pharmaceuticals Ltd. ("Idorsia").

Our commercial portfolio of proprietary products includes Hylenex®, utilizing rHuPH20, and our specialty product XYOSTED®, utilizing our auto-injector technology.

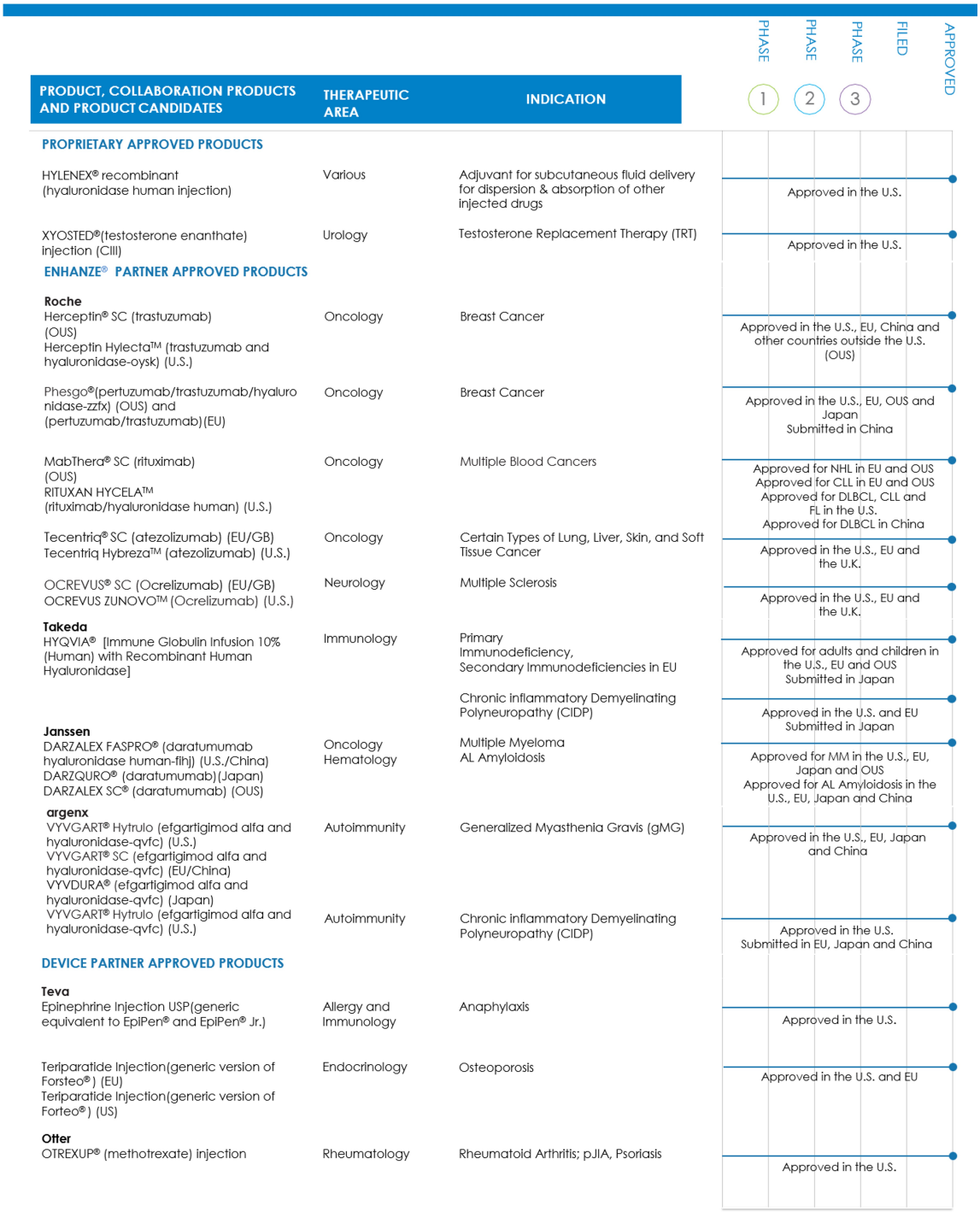
Our third quarter of 2024 and recent key events are as follows:

Partners

- In October 2024, argenx initiated two studies evaluating VYVGART Hytrulo with ENHANZE, a Phase 3 study for adult patients with ocular myasthenia gravis ("oMG") and a Phase 2 study for kidney transplant recipients with antibody mediated rejection ("AMR").
- In October 2024, Janssen announced the European Commission ("EC") approved DARZALEX SC for the treatment of patients newly diagnosed with multiple myeloma ("NDMM") who are eligible for autologous stem cell transplant ("ASCT") in combination with bortezomib, lenalidomide, and dexamethasone ("D-VRd").
- In September 2024, argenx expanded its global collaboration and license agreement nominating four additional targets that provides them exclusive access to our ENHANZE drug delivery technology for a total of six targets. Under the terms of the expanded exclusive agreement, we received upfront payments of $7.5 million per target nomination for a total of $30.0 million. argenx is obligated to make future milestone payments of up to $85.0 million per new nominated target, subject to achievements of specified development, regulatory and sales-based milestones. We are also entitled to receive royalties on net sales of commercialized products with our ENHANZE technology.
- In September 2024, ViiV expanded its global collaboration and license agreement providing ViiV the ability to exclusively access our ENHANZE drug delivery technology for one additional undisclosed target.
- In September 2024, Roche announced the U.S. Food and Drug Administration ("FDA") approved OCREVUS ZUNOVO with ENHANZE as a twice a year ten-minute SC injection for the treatment of relapsing multiple sclerosis ("RMS") and primary progressive multiple sclerosis ("PPMS").
- In September 2024, Roche announced the FDA approved TECENTRIQ HYBREZA with ENHANZE for all approved adult indications of IV TECENTRIQ and was made available to patients, resulting in a $12.0 million milestone payment.
- In September 2024, Janssen announced the submission of a supplemental Biologic License Application ("sBLA") to the FDA for approval of a new indication of DARZALEX FASPRO in combination with D-VRd for the treatment of adult patients with NDMM for whom ASCT is deferred or who are ineligible for ASCT.
- In August 2024, the FDA designated Janssen's Biologics License Application ("BLA") priority review status for amivantamab SC in combination with LAZCLUZE for currently approved or submitted indication of IV in certain patients with NSCLC.
- In August 2024, Takeda submitted a New Drug Application ("NDA") in Japan seeking approval for TAK-771 with ENHANZE for treatment of chronic inflammatory demyelinating polyneuropathy ("CIDP")/Multifocal Motor Neuropathy ("MMN").
- In July 2024, Janssen announced the FDA approved DARZALEX FASPRO for an additional indication in NDMM patients who are eligible for ASCT in combination with D-VRd.
- In July 2024, argenx announced the National Medical Products Administration ("NMPA") approved the BLA of efgartigimod SC for generalized myasthenia gravis ("gMG") in China.
- In July 2024, Acumen initiated a Phase 1 study of sabirnetug ("ACU193") co-formulated with ENHANZE for the treatment of early Alzheimer's disease.

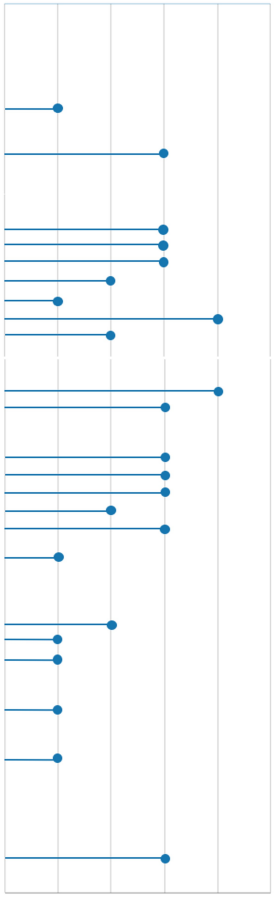
Product and Product Candidates

The following table summarizes our marketed proprietary products and product candidates under development and our marketed partnered products and product candidates under development with our partners:



PRODUCT, COLLABORATION PRODUCTS AND PRODUCT CANDIDATES	THERAPEUTIC AREA	INDICATION	PHASE 1 / PHASE 2 / PHASE 3 / FILED / APPROVED
PROPRIETARY APPROVED PRODUCTS			
HYLENEX® recombinant (hyaluronidase human injection)	Various	Adjuvant for subcutaneous fluid delivery for dispersion & absorption of other injected drugs	Approved in the U.S.
XYOSTED®(testosterone enanthate) injection (CIII)	Urology	Testosterone Replacement Therapy (TRT)	Approved in the U.S.
ENHANZE® PARTNER APPROVED PRODUCTS			
Roche Herceptin® SC (trastuzumab) (OUS) Herceptin Hylecta™ (trastuzumab and hyaluronidase-oysk) (U.S.)	Oncology	Breast Cancer	Approved in the U.S., EU, China and other countries outside the U.S. (OUS)
Phesgo®(pertuzumab/trastuzumab/hyaluronidase-zzfx) (OUS) and (pertuzumab/trastuzumab)(EU)	Oncology	Breast Cancer	Approved in the U.S., EU, OUS and Japan Submitted in China
MabThera® SC (rituximab) (OUS) RITUXAN HYCELA™ (rituximab/hyaluronidase human) (U.S.)	Oncology	Multiple Blood Cancers	Approved for NHL in EU and OUS Approved for CLL in EU and OUS Approved for DLBCL, CLL and FL in the U.S. Approved for DLBCL in China
Tecentriq® SC (atezolizumab) (EU/GB) Tecentriq Hybreza™ (atezolizumab) (U.S.)	Oncology	Certain Types of Lung, Liver, Skin, and Soft Tissue Cancer	Approved in the U.S., EU and the U.K.
OCREVUS® SC (Ocrelizumab) (EU/GB) OCREVUS ZUNOVO™ (Ocrelizumab) (U.S.)	Neurology	Multiple Sclerosis	Approved in the U.S., EU and the U.K.
Takeda HYQVIA® [Immune Globulin Infusion 10% (Human) with Recombinant Human Hyaluronidase]	Immunology	Primary Immunodeficiency, Secondary Immunodeficiencies in EU	Approved for adults and children in the U.S., EU and OUS Submitted in Japan
		Chronic inflammatory Demyelinating Polyneuropathy (CIDP)	Approved in the U.S. and EU Submitted in Japan
Janssen DARZALEX FASPRO® (daratumumab hyaluronidase human-fihj) (U.S./China) DARZQURO® (daratumumab)(Japan) DARZALEX SC® (daratumumab) (OUS)	Oncology Hematology	Multiple Myeloma AL Amyloidosis	Approved for MM in the U.S., EU, Japan and OUS Approved for AL Amyloidosis in the U.S., EU, Japan and China
argenx VYVGART® Hytrulo (efgartigimod alfa and hyaluronidase-qvfc) (U.S.) VYVGART® SC (efgartigimod alfa and hyaluronidase-qvfc) (EU/China) VYVDURA® (efgartigimod alfa and hyaluronidase-qvfc) (Japan)	Autoimmunity	Generalized Myasthenia Gravis (gMG)	Approved in the U.S., EU, Japan and China
VYVGART® Hytrulo (efgartigimod alfa and hyaluronidase-qvfc) (U.S.)	Autoimmunity	Chronic inflammatory Demyelinating Polyneuropathy (CIDP)	Approved in the U.S. Submitted in EU, Japan and China
DEVICE PARTNER APPROVED PRODUCTS			
Teva Epinephrine Injection USP(generic equivalent to EpiPen® and EpiPen® Jr.)	Allergy and Immunology	Anaphylaxis	Approved in the U.S.
Teriparatide Injection(generic version of Forsteo®) (EU) Teriparatide Injection(generic version of Forteo®) (US)	Endocrinology	Osteoporosis	Approved in the U.S. and EU
Otter OTREXUP® (methotrexate) injection	Rheumatology	Rheumatoid Arthritis; pJIA, Psoriasis	Approved in the U.S.

PRODUCT, COLLABORATION PRODUCTS AND PRODUCT CANDIDATES	THERAPEUTIC AREA	INDICATION
ENHANZE™ PARTNER PRODUCT CANDIDATES		
Roche		
Undisclosed	Undisclosed	Undisclosed
Takeda		
TAK-881(immune globulin subcutaneous 20% (human))	Immunology	Primary immunodeficiency
Janssen		
Daratumumab	Hematology Oncology	AL Amyloidosis Smoldering Myeloma Multiple Myeloma Multiple Myeloma Multiple Myeloma
Amivantamab	Oncology	Non-Small Cell Lung Cancer Solid Malignancies
BMS		
Nivolumab	Oncology	Advanced Renal Cell Carcinoma
relatlimab/nivolumab	Oncology	Melanoma
argenx		
ARGX-113 (efgartigimod)	Autoimmunity	Bullous Pemphigoid (BP) Myositis (IIM) Thyroid Eye Disease (TED) Antibody Mediated Rejection (AMR) Ocular Myasthenia Gravis (oMG)
ARGX-117	Autoimmunity	Multifocal Motor Neuropathy (MMN)
ViiV		
N6LS	Infectious Diseases	HIV Treatment
VH4524184	Infectious Diseases	HIV Treatment
Undisclosed	Undisclosed	Undisclosed
Chugai		
Undisclosed	Undisclosed	Undisclosed
Acumen		
ACU193 (sabirnetug)	Neurology	Alzheimer's disease
DEVICE PARTNER PRODUCT CANDIDATES		
Idorsia		
Selatogrel (QuickShot® Auto Injector)	Cardiology	Acute Myocardial Infraction



Proprietary Products and Product Candidates

Hylenex Recombinant (hyaluronidase human injection)

We market and sell Hylenex recombinant which is a formulation of rHuPH20 that facilitates SC administration for achieving hydration, increases the dispersion and absorption of other injected drugs and, in SC urography, to improve resorption of radiopaque agents. Hylenex recombinant is currently the number one prescribed branded hyaluronidase.

XYOSTED (testosterone enanthate) Injection

We market and sell our proprietary product XYOSTED for SC administration of testosterone replacement therapy ("TRT") in adult males for conditions associated with a deficiency or absence of endogenous testosterone (primary or hypogonadism). XYOSTED is the only FDA-approved SC testosterone enanthate product for once-weekly, at-home self-administration and is approved and marketed in the United States ("U.S.") in three dosage strengths, 50 mg, 75 mg and 100 mg.

ATRS - 1902

We have an ongoing program to develop a proprietary drug device combination product for the endocrinology market, for patients who require additional supplemental hydrocortisone, identified as ATRS-1902. The development program uses a novel proprietary auto-injector platform to deliver a liquid stable formulation of hydrocortisone.

In June 2021, we submitted an investigational new drug ("IND") application with the FDA for the initiation of a Phase 1 clinical study of ATRS-1902 for adrenal crisis rescue. The IND application included the protocol for an initial clinical study to compare the pharmacokinetics ("PK") profile of our novel formulation of hydrocortisone versus Solu-Cortef®, which is an anti-inflammatory glucocorticoid and is the current standard of care for the management of acute adrenal crises.

In July 2021, the FDA accepted our IND for ATRS-1902 enabling us to initiate our Phase 1 clinical study. The Phase 1 clinical study, designed to evaluate the safety, tolerability and PK of a liquid stable formulation of hydrocortisone, was initiated in September 2021. The study was a cross-over design to establish the PK profile of ATRS-1902 (100 mg) compared to Solu-Cortef (100 mg), the reference-listed drug, in 32 healthy adults.

In January 2022, we announced the positive results from the Phase 1 clinical study and were granted Fast Track designation by the FDA. The positive results supported the advancement of our ATRS-1902 development program to a pivotal study for the treatment of acute adrenal insufficiency, using our Vai novel proprietary rescue pen platform to deliver a liquid stable formulation of hydrocortisone.

Partnered Products

ENHANZE Collaborations

Roche Collaboration

In December 2006, we and Roche entered into a collaboration and license agreement under which Roche obtained a worldwide license to develop and commercialize product combinations of rHuPH20 and up to twelve Roche target compounds (the "Roche Collaboration"). Under this agreement, Roche elected a total of eight targets, two of which are exclusive.

In September 2013, Roche launched a SC formulation of Herceptin (trastuzumab) (Herceptin® SC) in Europe for the treatment of patients with HER2-positive breast cancer followed by launches in additional countries. This formulation utilizes our ENHANZE technology and is administered in two to five minutes, compared to 30 to 90 minutes with the standard IV form. Herceptin SC has since received approval in Canada, the U.S. (under the brand name Herceptin Hylecta™) and China.

In June 2020, the FDA approved the fixed-dose combination of Perjeta® (pertuzumab) and Herceptin for SC injection (Phesgo®) utilizing ENHANZE technology for the treatment of patients with HER2-positive breast cancer. Phesgo has since received approval in Europe and China. In September 2023, Chugai (a Member of the Roche Group) announced that it had obtained regulatory approval for Phesgo from the Ministry of Health, Labour and Welfare ("MHLW") in Japan. We receive royalties for Phesgo sales in Japan as part of our licensing agreement with Roche.

In June 2014, Roche launched MabThera® SC in Europe for the treatment of patients with common forms of non-Hodgkin lymphoma ("NHL"), followed by launches in additional countries. This formulation utilizes our ENHANZE technology and is administered in approximately five minutes compared to the approximate one and a half to four hour IV infusion. In May 2016, Roche announced that the EMA approved MabThera SC to treat patients with chronic lymphocytic leukemia ("CLL"). In June 2017, the FDA-approved Genentech's RITUXAN HYCELA®, a combination of rituximab using ENHANZE technology (approved and marketed under the MabThera SC brand in countries outside the U.S. and Canada), for CLL and two types of NHL, follicular lymphoma and diffuse large B-cell lymphoma ("DLBCL"). In March 2018, Health Canada approved a combination of rituximab and ENHANZE (approved and marketed under the brand name RITUXAN® SC) for patients with CLL. In April 2024, Roche's MabThera SC was approved by the China NMPA to treat DLBCL.

In September 2017 and October 2018, we entered into agreements with Roche to develop and commercialize additional exclusive targets using ENHANZE technology. The upfront license payment may be followed by event-based payments subject to Roche's achievement of specified development, regulatory and sales-based milestones. In addition, Roche will pay royalties to us if products under the collaboration are commercialized.

In August 2023, Roche announced the approval of TECENTRIQ SC with ENHANZE by the Medicines and Healthcare products Regulatory Agency ("MHRA") in the United Kingdom. In January 2024, Roche received EC marketing authorization for TECENTRIQ SC. In September 2024, Roche announced the FDA approved TECENTRIQ HYBREZA with ENHANZE. TECENTRIQ SC enables SC delivery in approximately seven minutes, compared with 30-60 minutes for IV infusion, and is approved for all adult indications of TECENTRIQ IV.

In June 2024, Roche announced the EC granted marketing authorization in the European Union ("EU") for OCREVUS SC as a twice a year ten-minute SC injection for patients with relapsing forms of multiple sclerosis ("MS") or RMS or PMS. In July 2024, Roche announced the MHRA approved OCREVUS SC in the United Kingdom. In September 2024, Roche announced the FDA approved OCREVUS ZUNOVO with ENHANZE.

In October 2019, Roche nominated a new undisclosed exclusive target to be studied using ENHANZE technology. In November 2021, Roche initiated a Phase 1 study with the undisclosed target and ENHANZE.

Takeda Collaboration

In September 2007, we and Takeda entered into a collaboration and license agreement under which Takeda obtained a worldwide, exclusive license to develop and commercialize product combinations of rHuPH20 with GAMMAGARD LIQUID (HYQVIA®) (the "Takeda Collaboration"). HYQVIA is indicated for the treatment of primary immunodeficiency disorders associated with defects in the immune system.

In May 2013, the EC granted Takeda marketing authorization in all EU Member States for the use of HYQVIA as replacement therapy for adult patients with primary and secondary immunodeficiencies. Takeda launched HYQVIA in the first EU country in July 2013 and has continued to launch in additional countries. In May 2016, Takeda announced that HYQVIA received a marketing authorization from the EC for a pediatric indication.

In September 2014, HYQVIA was approved by the FDA for treatment of adult patients with primary immunodeficiency in the U.S. HYQVIA is the first SC immune globulin ("IG") treatment approved for adult primary immunodeficiency patients with a dosing regimen requiring only one infusion up to once per month (every three to four weeks) and one injection site per infusion in most patients, to deliver a full therapeutic dose of IG.

In September 2020, Takeda announced the EMA approved a label update for HYQVIA broadening its use and making it the first and only facilitated SC immunoglobulin replacement therapy in adults, adolescents and children with an expanded range of secondary immunodeficiencies ("SID").

In October 2021, Takeda initiated a Phase 1 single-dose, single-center, open-label, three-arm study to assess the tolerability and safety of immune globulin SC (human), 20% solution with ENHANZE (TAK-881) at various infusion rates in healthy adult subjects. In October 2023, Takeda initiated a Phase 2/3 study to evaluate PK, safety, and tolerability of subcutaneous administration of TAK-881 in adult and pediatric participants with Primary Immunodeficiency Diseases ("PIDD").

In July 2022, Takeda announced positive topline results from a pivotal Phase 3 trial evaluating HYQVIA, for maintenance treatment of CIDP. In June 2023, Takeda announced positive full results from a pivotal Phase 3 trial evaluating HYQVIA for maintenance treatment of CIDP and confirmed regulatory applications were under review in the U.S. and EU for HYQVIA use as a maintenance therapy in adults with stable CIDP. In January 2024, Takeda received FDA and EC approval for HYQVIA for the treatment of CIDP.

In April 2023, Takeda announced the FDA approved the sBLA to expand the use of HYQVIA to treat primary immunodeficiency in children. In February 2024, Takeda submitted a NDA in Japan seeking approval for TAK-771, subcutaneous 10% human immunoglobulin with ENHANZE, for treatment of primary immunodeficiency. In June 2024, Takeda announced Health Canada approved HYQVIA as replacement therapy for primary humoral immunodeficiency and secondary humoral immunodeficiency in pediatric patients two years of age and older. In August 2024, Takeda submitted a NDA in Japan seeking approval for TAK-771 with ENHANZE for treatment of CIDP/MMN.

Pfizer Collaboration

In December 2012, we and Pfizer entered into a collaboration and license agreement, under which Pfizer has the worldwide license to develop and commercialize products combining our rHuPH20 enzyme with Pfizer proprietary biologics in primary care and specialty care indications. Pfizer currently has one non-exclusive target.

Janssen Collaboration

In December 2014, we and Janssen entered into a collaboration and license agreement, under which Janssen has the worldwide license to develop and commercialize products combining our rHuPH20 enzyme with Janssen proprietary biologics directed to up to five targets. Targets may be selected on an exclusive basis. Janssen elected CD38 and initiated several Phase 3 studies, Phase 2 studies and Phase 1 studies of DARZALEX® (daratumumab), directed at CD38, using ENHANZE technology in patients with amyloidosis, smoldering myeloma and multiple myeloma.

In May 2020, Janssen launched the commercial sale of DARZALEX FASPRO® (DARZALEX utilizing ENHANZE technology) in four regimens across five indications in multiple myeloma patients, including newly diagnosed, transplant-ineligible patients as well as relapsed or refractory patients. As a fixed-dose formulation, DARZALEX FASPRO can be administered over three to five minutes, significantly less time than DARZALEX IV which requires multi-hour infusions. In June 2020, we announced that Janssen received European marketing authorization and launched the commercial sale of DARZALEX SC utilizing ENHANZE in the EU. Subsequent to these approvals, Janssen received several additional regulatory approvals for additional indications and patient populations in the U.S., EU, Japan and China. Beginning with the U.S., Janssen has marketing authorization for DARZALEX FASPRO in combination with bortezomib, thalidomide, and dexamethasone in NDMM patients who are eligible for autologous stem cell transplant, in combination with bortezomib, cyclophosphamide and dexamethasone ("D-VCd") for the treatment of adult patients with newly diagnosed AL amyloidosis, in combination with pomalidomide and dexamethasone ("D-Pd") for patients with multiple myeloma after first or subsequent relapse, and in combination with Kyprolis® (carfilzomib) and dexamethasone for patients with relapsed or refractory multiple myeloma who have received one to three prior lines of therapy. In the EU, Janssen has marketing authorization for DARZALEX SC in combination with D-VCd in newly diagnosed adult patients with AL amyloidosis and in combination with D-Pd in adult patients with relapsed or refractory multiple myeloma. In Japan, Janssen has marketing authorization for the SC formulation of DARZALEX (known as DARZQURO) for the treatment of multiple myeloma and systemic AL amyloidosis. In China, Janssen has marketing authorization for DARZALEX SC for the treatment of primary light chain amyloidosis, in combination with D-VCd in newly diagnosed patients. In July 2024, Janssen announced the FDA approved DARZALEX FASPRO in combination with D-VRd for induction and consolidation treatment and with lenalidomide ("D-R") for maintenance treatment of adult patients who are NDMM and are eligible for autologous stem cell transplant ("ASCT") with approval also received by the EC in October 2024. In September 2024, Janssen announced the submission of a sBLA to the FDA for approval of a new indication of DARZALEX FASPRO in combination with D-VRd for the treatment of adult patients with NDMM for whom ASCT is deferred or who are ineligible for ASCT.

In December 2019, Janssen elected epidermal growth factor receptor ("EGFR") and mesenchymal-epithelial transition factor ("cMET") as a bispecific antibody (amivantamab) target on an exclusive basis, which is being studied in solid tumors. In September 2022, following a Phase 1 study, Janssen initiated a Phase 3 study of lazertinib and amivantamab with ENHANZE in patients with EGFR-mutated advanced or metastatic non-small cell lung cancer (PALOMA-3). In November 2022, Janssen initiated a Phase 2 study of amivantamab with ENHANZE in multiple regimens in patients with advanced or metastatic solid tumors including EGFR-mutated non-small cell lung cancer (PALOMA-2). In May 2024, Janssen announced positive data from the Phase 3 PALOMA-3 study which supported the submission of a marketing authorization application to the EMA for SC formulation of RYBREVANT (amivantamab) with ENHANZE for the treatment of patients with EGFR-mutated non-small cell lung cancer ("NSCLC"). In June 2024, Janssen announced the submission of a BLA to the FDA for amivantamab SC co-formulated with ENHANZE also for patients with EGFR-mutated NSCLC. The administration time for SC amivantamab was reduced to approximately five minutes from five hours for the first IV amivantamab infusion (across two days) and showed a five-fold reduction in infusion-related reactions. SC amivantamab also demonstrated longer overall survival, progression-free survival and duration of response. In August 2024, the FDA designated Janssen's BLA priority review status for amivantamab SC in combination with LAZCLUZE for currently approved or submitted indication of IV in certain patients with NSCLC.

AbbVie Collaboration

In June 2015, we and AbbVie entered into a collaboration and license agreement, under which AbbVie has the worldwide license to develop and commercialize products combining our rHuPH20 enzyme with AbbVie proprietary biologics directed to up to nine targets. Targets may be selected on an exclusive basis.

Lilly Collaboration

In December 2015, we and Lilly entered into a collaboration and license agreement, under which Lilly has the worldwide license to develop and commercialize products combining our rHuPH20 enzyme with Lilly proprietary biologics. Lilly currently has the right to select up to three targets. Targets may be selected on an exclusive basis.

BMS Collaboration

In September 2017, we and BMS entered into a collaboration and license agreement, which became effective in November 2017, under which BMS had the worldwide license to develop and commercialize products combining our rHuPH20 enzyme with BMS products directed at up to eleven targets. Targets may be selected on an exclusive basis or non-exclusive basis. BMS has designated multiple immuno-oncology targets including programmed death 1 ("PD-1") and has an option to select three additional targets by September 2026. In October 2019, BMS initiated a Phase 1 study of relatlimab, an anti-LAG-3 antibody, in combination with nivolumab using ENHANZE technology. In May 2021, BMS initiated a Phase 3 of nivolumab using ENHANZE technology for patients with advanced or metastatic clear cell renal cell carcinoma (CheckMate-67T), leveraging data and insights from Phase 1/2 CA209-8KX study in patients with solid tumors. In October 2023, BMS reported positive top-line data from the Phase 3 CheckMate-67T trial evaluating a SC formulation of Opdivo (nivolumab) with ENHANZE in patients with advanced or metastatic clear cell renal cell carcinoma ("ccRCC") who have received prior systemic therapy. The study met its co-primary PK endpoints and a key secondary endpoint. In May 2024, BMS announced that the FDA accepted its BLA for the subcutaneous formulation of Opdivo (nivolumab) co-formulated with ENHANZE and assigned a PDUFA goal date of February 28, 2025. In May 2024, BMS announced the FDA assigned an updated PDUFA goal date of December 29, 2024 for the subcutaneous formulation of Opdivo (nivolumab) co-formulated with ENHANZE. In June 2024, BMS announced the EMA validated its Extension Application for the subcutaneous formulation of Opdivo (nivolumab) co-formulated with ENHANZE.

In March 2023, BMS initiated a Phase 3 trial to demonstrate the drug exposure levels of nivolumab and relatlimab fixed-dose combination with ENHANZE is not inferior to IV administration in participants with previously untreated metastatic or unresectable melanoma (RELATIVITY-127).

argenx Collaboration

In February 2019, we and argenx entered into an agreement for the right to develop and commercialize one exclusive target, the human neonatal Fc receptor FcRn, which includes argenx's lead asset efgartigimod (ARGX-113), and an option to select two additional targets using ENHANZE technology. In May 2019, argenx nominated a second target to be studied using ENHANZE technology, a human complement factor C2 associated with the product candidate ARGX-117, which is being developed to treat severe autoimmune diseases in MMN. In October 2020, we and argenx entered into an agreement to expand the collaboration relationship, adding three targets for a total of up to six targets under the collaboration. In September 2024, argenx nominated four additional targets under its global collaboration and license agreement that provides them with exclusive access to our ENHANZE drug delivery technology for these targets, for a total of six targets.

In June 2023, argenx received FDA approval under the brand name VYVGART® Hytrulo for the injection with ENHANZE for SC use of treatment of gMG in adult patients who are anti-acetylcholine receptor ("AChR") antibody positive. In November 2023, argenx received EC approval of VYVGART SC for the treatment of gMG, which also provides the option for patient self-administration. In January 2024, argenx received Japan approval for VYVDURA® (efgartigimod alfa and hyaluronidase-qvfc) co-formulated with ENHANZE for the treatment of adult patients with gMG including options for self-administration. In July 2024, argenx announced the NMPA approved the BLA of efgartigimod alfa SC (efgartigimod SC) for gMG patients in China.

In July 2023, argenx reported positive data from the ADHERE study evaluating VYVGART® Hytrulo with ENHANZE in adults with CIDP. In June 2024, argenx announced the FDA approved VYVGART Hytrulo with ENHANZE for the treatment of CIDP. In the second quarter of 2024, argenx completed the regulatory submissions of VYVGART SC for CIDP for regulatory approval in Japan, Europe, and China. Submission to Canadian Health Authorities for regulatory approval is expected in 2024. In September 2023, Zai Lab limited (argenx commercial partner for China) announced the Center for Drug Evaluation ("CDE") of the NMPA granted Breakthrough Therapy Designation for efgartigimod SC for the treatment of patients with CIDP.

argenx is currently conducting the following studies with the goal of expanding approved indications for efgartigimod with ENHANZE: Phase 2/3 (ALKIVIA) study in active idiopathic inflammatory myopathy (Myositis), two registrational studies in thyroid eye disease ("TED"), Phase 2 (Shamrock) study for kidney transplant recipients with AMR and Phase 3 (ADAPT oculus) study for adult patients with oMG. Evaluation is ongoing to determine the path forward in BALLAD study evaluating efgartigimod in bullous pemphigoid ("BP") with an update expected in 2024.

ViiV Healthcare Collaboration

In June 2021, we and ViiV entered into a global collaboration and license agreement that gives ViiV exclusive access to our ENHANZE technology for four specific small and large molecule targets for the treatment and prevention of HIV. These targets are integrase inhibitors, reverse transcriptase inhibitors limited to nucleoside reverse transcriptase inhibitors ("NRTI") and nucleoside reverse transcriptase translocation inhibitors ("NRTTIs"), capsid inhibitors and broadly neutralising monoclonal antibodies ("bNAbs"), that bind to the gp120 CD4 binding site. In February 2022, ViiV initiated enrollment of a Phase 1 study to evaluate the safety and PKs of N6LS, a broadly neutralizing antibody, administered subcutaneously with ENHANZE technology. In June 2022, ViiV initiated enrollment of a Phase 1 single dose escalation study to evaluate PKs, safety and tolerability of long-acting cabotegravir administered subcutaneously with ENHANZE technology. In August 2023, ViiV initiated a Phase 2b study to evaluate the efficacy, safety, PKs and tolerability of VH3810109 (N6LS) administered subcutaneously with rHuPH20 in combination with cabotegravir. In the third quarter of 2023, ViiV initiated a Phase 1 study with ENHANZE for an undisclosed program. In March 2024, ViiV initiated a Phase 1 study of VH4524184 with ENHANZE to evaluate the safety, tolerability, and pharmacokinetics in healthy adults.

In September 2024, we and ViiV expanded the existing global collaboration and license agreement, providing ViiV exclusive access to our ENHANZE drug delivery technology for one additional undisclosed target.

Chugai Collaboration

In March 2022, we and Chugai entered into a global collaboration and license agreement that gives Chugai exclusive access to ENHANZE technology for an undisclosed target. Chugai intends to explore the potential use of ENHANZE for a Chugai drug candidate. In May 2022, Chugai initiated a Phase 1 study to evaluate the PKs, pharmacodynamics, and safety of a targeted antibody administered subcutaneously with ENHANZE.

Acumen Collaboration

In November 2023, we and Acumen entered into a global collaboration and non-exclusive license agreement that provides Acumen access to ENHANZE for a single target. Acumen intends to explore the potential use of ENHANZE for ACU193, Acumen's clinical stage monoclonal antibody candidate to target Amyloid-β Oligomers for the treatment of early Alzheimer's disease. In May 2024, Acumen initiated a Phase 2 IV study for ACU193. In July 2024, Acumen initiated a Phase 1 study of sabirnetug (ACU193) with ENHANZE to compare the PK between SC and IV administrations in healthy volunteers.

Device and Other Drug Product Collaborations

Teva License, Development and Supply Agreements

In July 2006, we entered into an exclusive license, development and supply agreement with Teva for an epinephrine auto- injector product to be marketed in the U.S. and Canada. We are the exclusive supplier of the device, which we developed, for Teva's generic Epinephrine Injection USP products, indicated for emergency treatment of severe allergic reactions including those that are life threatening (anaphylaxis) in adults and certain pediatric patients. Teva's Epinephrine Injection, utilizing our patented VIBEX® injection technology, was approved by the FDA as a generic drug product with an AB rating, meaning that it is therapeutically equivalent to the branded products EpiPen® and EpiPen Jr® and therefore, subject to state law, substitutable at the pharmacy.

In December 2007, we entered into a license, development and supply agreement with Teva under which we developed and supply a disposable pen injector for teriparatide. Under the agreement, we received an upfront payment and development milestones, and are entitled to receive royalties on net product sales by Teva in territories where commercialized. We are the exclusive supplier of the multi-dose pen, which we developed, used in Teva's generic teriparatide injection product. In 2020, Teva launched Teriparatide Injection, the generic version of Eli Lilly's branded product Forsteo® featuring our multi-dose pen platform, for commercial sale in several countries outside of the U.S. In November 2023, Teva announced FDA approval of the generic version of Forteo, featuring our multi-dose auto-injector pen platform for the treatment of osteoporosis among certain women and men.

Pfizer Agreement

In August 2018, we entered into a development agreement with Pfizer to jointly develop a combination drug device rescue pen utilizing the QuickShot auto-injector and an undisclosed Pfizer drug. Pfizer has provided the intellectual property rights for further development of the product to us and has retained an option to assist in the marketing, distribution and sale if we complete development of the product and submit for regulatory approval. We are continuing to evaluate the next steps for this program.

Idorsia Agreement

In November 2019, we entered into a global agreement with Idorsia to develop a novel, drug-device product containing selatogrel. A new chemical entity, selatogrel is being developed for the treatment of a suspected acute myocardial infarction ("AMI") in adult patients with a history of AMI.

In March 2024, the recruitment of the Phase 3 study with selatogrel for acute myocardial infarction had reached approximately 6,000 patients.

Otter Agreement

In December 2021, we entered into a supply agreement with Otter to manufacture the VIBEX auto-injection system device, designed and developed to incorporate a pre-filled syringe for delivery of methotrexate, assemble, package, label and supply the final OTREXUP product and related samples to Otter at cost plus mark-up. Otter is responsible for manufacturing, formulation and testing of methotrexate and the corresponding pre-filled syringe for assembly with the device manufactured by us, along with the commercialization and distribution of OTREXUP. OTREXUP is a SC methotrexate injection for once weekly self-administration with an easy-to-use, single dose, disposable auto injector, indicated for adults with severe active rheumatoid arthritis ("RA"), children with active polyarticular juvenile idiopathic arthritis and adults with severe recalcitrant psoriasis. Further, we entered into a license agreement with Otter in which we granted Otter a worldwide, exclusive, fully paid-up license to certain patents relating to OTREXUP that may also relate to our other products for Otter to commercialize and otherwise exploit OTREXUP in the field as defined in the license agreement.

Results of Operations

Three Months Ended September 30, 2024 Compared to Three Months Ended September 30, 2023

Royalties – Royalties were as follows (in thousands):

	Three Months Ended September 30,		Increase / (Decrease)	
	2024	2023	Dollar	Percentage
Royalties	$ 155,061	$ 114,433	$ 40,628	36 %

The increase in royalties was primarily driven by continued sales uptake of DARZALEX SC by Janssen and Phesgo by Roche in all geographies, and the prior year launch of VYVGART Hytrulo by argenx. We expect royalty revenue to further grow as a result of anticipated increasing partner product sales of DARZALEX SC and Phesgo, and sales of recently launched ENHANZE partner products, VYVGART Hytrulo, TECENTRIQ SC and OCREVUS SC. We expect modest price erosion to continue on earlier launched ENHANZE partner products, Herceptin and MabThera.

Product Sales, Net – Product sales, net were as follows (in thousands):

	Three Months Ended September 30,		Increase / (Decrease)	
	2024	2023	Dollar	Percentage
Proprietary product sales	$ 39,925	$ 31,511	$ 8,414	27 %
Bulk rHuPH20 sales	31,493	37,001	(5,508)	(15)%
Device partnered product sales	15,241	18,057	(2,816)	(16)%
Total product sales, net	$ 86,659	$ 86,569	$ 90	— %

Product sales, net were flat primarily due to contributions from our proprietary products, offset by lower sales of device partner products and bulk rHuPH20 driven by the timing of partner demand. We expect sales of our proprietary products will continue to grow in future years as we continue to gain market share in the TRT market. We expect product sales of bulk rHuPH20 and device partnered products to fluctuate in future periods based on the needs of our partners.

Revenues Under Collaborative Agreements – Revenues under collaborative agreements were as follows (in thousands):

	Three Months Ended September 30,		Increase / (Decrease)	
	2024	2023	Dollar	Percentage
Upfront license fees, license fees for the election of additional targets, event-based payments, license maintenance fees and amortization of deferred upfront and other license fees:				
Upfront license and target nomination fees	$ 27,000	$ —	$ 27,000	100 %
Event-based development milestones and regulatory milestones and other fees	18,000	13,000	5,000	38 %
Device licensing and development revenue	3,364	2,031	1,333	66 %
Total revenues under collaborative agreements	$ 48,364	$ 15,031	$ 33,333	222 %

The increase in revenues under collaborative agreements was primarily due to the timing of milestones achieved. Revenue from upfront licenses fees, license fees for the election of additional targets, license maintenance fees and other license fees and event-based payments vary from period to period based on our ENHANZE collaboration activity. We expect these revenues to continue to fluctuate in future periods based on our partners' ability to meet various clinical and regulatory milestones set forth in such agreements and our ability to obtain new collaborative agreements.

Operating expenses – Operating expenses were as follows (in thousands):

	Three Months Ended September 30,		Increase / (Decrease)	
	2024	2023	Dollar	Percentage
Cost of sales	$ 49,426	$ 54,823	$ (5,397)	(10)%
Amortization of intangibles	17,762	20,341	(2,579)	(13)%
Research and development	18,458	17,321	1,137	7 %
Selling, general and administrative	41,241	35,269	5,972	17 %

Cost of Sales – Cost of sales consists primarily of raw materials, third-party manufacturing costs, fill and finish costs, freight costs, internal costs and manufacturing overhead associated with the production of our proprietary products, device partnered products and bulk rHuPH20. The decrease in cost of sales was primarily due to lower device and bulk rHuPH20 sales.

Amortization of intangibles – Amortization of intangibles consists primarily of expense associated with the amortization of acquired device technologies and product rights. The decrease in amortization of intangibles expense was primarily due to an impairment charge of $2.5 million recognized in the prior year to fully impair the TLANDO product rights intangible asset.

Research and Development – Research and development expenses consist of external costs, salaries and benefits and allocation of facilities and other overhead expenses related to research manufacturing, preclinical and regulatory activities related to our collaborations, and our development platforms. The modest increase in research and development expense was primarily due to increased compensation expense.

Selling, General and Administrative – Selling, general and administrative ("SG&A") expenses consist primarily of salaries and related costs for personnel in executive, selling and administrative functions as well as professional fees for legal and accounting, business development, commercial operations support for proprietary products and alliance management and marketing support for our collaborations. The increase in SG&A expense was primarily due to increased compensation expense and consulting and professional service fees.

Investment and other income, net – investment and other income, net was as follows (in thousands):

	Three Months Ended September 30,		Increase / (Decrease)	
	2024	2023	Dollar	Percentage
Investment and other income, net	$ 6,474	$ 4,786	$ 1,688	35 %

Investment and other income, net consists primarily of interest income on our cash, cash-equivalent and marketable securities. The increase in investment and other income, net was primarily due to an increase in the average invested balance.

Interest Expense – Interest expense was as follows (in thousands):

	Three Months Ended September 30,		Increase / (Decrease)	
	2024	2023	Dollar	Percentage
Interest expense	$ 4,524	$ 4,505	$ 19	— %

Interest expense consists primarily of costs related to our convertible notes and revolving credit facility. Interest expense was flat year over year.

Income Tax Expense – Income tax expense was as follows (in thousands):

	Three Months Ended September 30,		Increase / (Decrease)	
	2024	2023	Dollar	Percentage
Income tax expense	$ 28,136	$ 19,923	$ 8,213	41 %

The increase in income tax expense was primarily due to higher income before income tax expense, partially offset by an increase in tax benefits mainly related to a share-based compensation windfall and a Foreign Derived Intangible Income ("FDII") deduction recognized in the current period. Our annual effective tax rate is estimated to be approximately 19% for 2024, which differs from the U.S. federal statutory rate primarily due to a decrease from a share-based compensation windfall tax benefit, FDII deduction, and research and development credit generation, partially offset by state income tax and Section 162(m) disallowance.

Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023

Royalties – Royalties were as follows (in thousands):

	Nine Months Ended September 30,		Increase / (Decrease)	
	2024	2023	Dollar	Percentage
Royalties	$ 400,572	$ 325,813	$ 74,759	23 %

The increase in royalties was primarily driven by continued sales uptake of DARZALEX SC by Janssen and Phesgo by Roche in all geographies, and the prior year launch of Vyvgart Hytrulo by argenx.

Product Sales, Net – Product sales, net were as follows (in thousands):

	Nine Months Ended September 30,		Increase / (Decrease)	
	2024	2023	Dollar	Percentage
Sales of proprietary products	$ 119,319	$ 91,765	$ 27,554	30 %
Sales of bulk rHuPH20	66,637	86,203	(19,566)	(23)%
Sales of device partnered product	38,172	43,284	(5,112)	(12)%
Total product sales, net	$ 224,128	$ 221,252	$ 2,876	1 %

The increase in product sales, net was primarily due to contributions from our proprietary products, partially offset by lower sales of bulk rHuPH20 and device partnered products driven by the timing of partner demand.

Revenues Under Collaborative Agreements – Revenues under collaborative agreements were as follows (in thousands):

	Nine Months Ended September 30,		Increase / (Decrease)	
	2024	2023	Dollar	Percentage
Upfront license fees, license fees for the election of additional targets, event-based payments, license maintenance fees and amortization of deferred upfront and other license fees:				
Upfront license and target nomination fees	$ 27,000	$ —	$ 27,000	100 %
Event-based development milestones and regulatory milestones and other fees	57,500	46,000	11,500	25 %
Device licensing and development revenue	8,116	6,149	1,967	32 %
Total revenues under collaborative agreements	$ 92,616	$ 52,149	$ 40,467	78 %

The increase in revenues under collaborative agreements was primarily due to the timing of milestones achieved.

Operating expenses - Operating expenses were as follows (in thousands):

	Nine Months Ended September 30,		Increase / (Decrease)	
	2024	2023	Dollar	Percentage
Cost of sales	$ 117,362	$ 140,063	$ (22,701)	(16)%
Amortization of intangibles	53,287	56,011	(2,724)	(5)%
Research and development	58,607	55,027	3,580	7 %
Selling, general and administrative	112,086	111,574	512	— %

Cost of Sales **–** The decrease in cost of sales was primarily due to lower bulk rHuPH20 and device sales, partially offset by higher proprietary product sales.

Amortization of intangibles – The decrease in amortization of intangibles expense was primarily due to an impairment charge of $2.5 million recognized in the prior year to fully impair the TLANDO product rights intangible asset.

Research and Development **–** The increase in research and development expense was primarily due to planned investments in ENHANZE related to the development of our new high-yield rHuPH20 manufacturing processes.

Selling, General and Administrative – The increase in SG&A expense was primarily due to increased compensation expense and consulting and professional service fees, partially offset by planned reductions in commercial marketing expense.

Investment and other income, net - Investment and other income, net was as follows (in thousands):

	Nine Months Ended September 30,		Increase / (Decrease)	
	2024	2023	Dollar	Percentage
Investment and other income, net	$ 16,499	$ 10,957	$ 5,542	51 %

The increase in investment and other income, net was primarily due to an increase in the average invested balance.

Interest Expense – Interest expense was as follows (in thousands):

	Nine Months Ended September 30,		Increase / (Decrease)	
	2024	2023	Dollar	Percentage
Interest expense	$ 13,555	$ 13,542	$ 13	— %

Interest expense was flat year over year.

Income Tax Expense – Income tax expense was as follows (in thousands):

	Nine Months Ended September 30,		Increase / (Decrease)	
	2024	2023	Dollar	Percentage
Income tax expense	$ 71,839	$ 50,948	$ 20,891	41 %

The increase in income tax expense was primarily due to higher income before income tax expense, partially offset by an increase in tax benefits mainly related to with a share-based compensation windfall and a FDII deduction recognized during the current period.

Liquidity and Capital Resources

Overview

Our principal sources of liquidity are our existing cash, cash equivalents and available-for-sale marketable securities. As of September 30, 2024, we had cash, cash equivalents and marketable securities of $666.3 million. We believe that our current cash, cash equivalents and marketable securities will be sufficient to fund our operations for at least the next twelve months. We expect to fund our operations going forward with existing cash resources, anticipated revenues from our existing collaborative agreements and cash that we may raise through future transactions. We may raise cash through any one of the following financing vehicles: (i) new collaborative agreements; (ii) expansions or revisions to existing collaborative relationships; (iii) private financings; (iv) other equity or debt financings; (v) monetizing assets; and/or (vi) the public offering of securities.

We may, in the future, draw on our existing line of credit or offer and sell additional equity, debt securities and warrants to purchase any of such securities, either individually or in units to raise capital for additional working capital, capital expenditures, share repurchases, acquisitions or for other general corporate purposes.

Cash Flows

	Nine Months Ended September 30,		
(in thousands)	2024	2023	Change
Net cash provided by operating activities	$ 300,597	$ 286,217	$ 14,380
Net cash used in investing activities	(292,203)	(88,618)	(203,585)
Net cash provided by (used in) financing activities	27,554	(158,067)	185,621
Net increase in cash, cash equivalents and restricted cash	$ 35,948	$ 39,532	$ (3,584)

Operating Activities

The increase in net cash provided by operations was primarily due to an increase in revenue, partially offset by higher working capital spend.

Investing Activities

The increase in net cash used in investing activities was primarily due to an increase in net purchases of marketable securities, partially offset by a decrease in capital spend for property and equipment.

Financing Activities

The decrease in net cash used in financing activities was primarily due to the repurchase of $150.1 million in common stock in the prior year and $13.5 million in cash paid on the conversion of our 2024 Convertible Notes in the prior year, partially offset by an increase in net proceeds from the issuance of common stock under our equity incentive plan.

Share Repurchases

In December 2021, our Board of Directors approved a share repurchase program to repurchase up to $750.0 million of our outstanding common stock which we completed in June 2024. In February 2024, our Board of Directors authorized a new capital return program to repurchase up to $750.0 million of our outstanding common stock. Refer to Note 9, *Stockholders' Equity*, of our condensed consolidated financial statements for additional information regarding our share repurchases.

Long-Term Debt

1.00% Convertible Notes due 2028

In August 2022, we completed the sale of $720.0 million in aggregate principal amount of 1.00% Convertible Senior Notes due 2028 (the "2028 Convertible Notes"). The net proceeds in connection with the issuance of the 2028 Convertible Notes, after deducting the initial purchasers' fee of $18.0 million, was approximately $702.0 million. We also incurred additional debt issuance costs totaling $1.0 million. Debt issuance costs and the initial purchasers' fee are presented as a debt discount.

The 2028 Convertible Notes pay interest semi-annually in arrears on February 15th and August 15th of each year at an annual rate of 1.00%. The 2028 Convertible Notes are general unsecured obligations and rank senior in right of payment to all indebtedness that is expressly subordinated in right of payment to the 2028 Convertible Notes, rank equally in right of payment with all existing and future liabilities that are not so subordinated, are effectively junior to any secured indebtedness to the extent of the value of the assets securing such indebtedness and are structurally subordinated to all indebtedness and other liabilities (including trade payables) of our current or future subsidiaries. The 2028 Convertible Notes have a maturity date of August 15, 2028.

Holders may convert their 2028 Convertible Notes at their option only in the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on December 31, 2022, if the last reported sale price per share of common stock exceeds 130% of the conversion price for each of at least 20 trading days during the 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter; (2) during the five consecutive business days immediately after any five consecutive trading day period (such five consecutive trading day period, the "measurement period") in which the trading price per $1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price per share of our common stock on such trading day and the conversion rate on such trading day; (3) upon the occurrence of certain corporate events or distributions on our common stock, as described in the offering memorandum for the 2028 Convertible Notes; (4) if we call such notes for redemption; and (5) at any time from, and including, February 15, 2028 until the close of business on the second scheduled trading day immediately before the maturity date. As of September 30, 2024, the 2028 Convertible Notes were not convertible.

Upon conversion, we will pay cash for the settlement of principal, and for the premium, if applicable, we will pay cash, deliver shares of common stock or a combination of cash and shares of common stock, at our election. The initial conversion rate for the 2028 Convertible Notes is 17.8517 shares of common stock per $1,000 in principal amount of 2028 Convertible Notes, equivalent to a conversion price of approximately $56.02 per share of our common stock. The conversion rate is subject to adjustment in some events but will not be adjusted for any accrued or unpaid interest.

Capped Call Transactions

In connection with the offering of the 2028 Convertible Notes, we entered into capped call transactions with certain counterparties (the "Capped Call Transactions"). The Capped Call Transactions are expected generally to reduce potential dilution to holders of our common stock upon conversion of the 2028 Convertible Notes or at our election (subject to certain conditions) offset any cash payments we are required to make in excess of the principal amount of such converted 2028 Convertible Notes. The cap price of the Capped Call Transactions is initially $75.4075 per share of common stock, representing a premium of 75% above the last reported sale price of $43.09 per share of common stock on August 15, 2022, and is subject to certain adjustments under the terms of the Capped Call Transactions. As of September 30, 2024, no capped calls had been exercised.

Pursuant to their terms, the capped calls qualify for classification within stockholders' equity in our condensed consolidated balance sheets, and their fair value is not remeasured and adjusted as long as they continue to qualify for stockholders' equity classification. We paid approximately $69.1 million for the Capped Calls, including applicable transaction costs, which was recorded as a reduction to additional paid-in capital in our condensed consolidated balance sheets. The Capped Call Transactions are separate transactions entered into by us with the capped call Counterparties, are not part of the terms of the Convertible Notes, and do not affect any holder's rights under the Convertible Notes. Holders of the Convertible Notes do not have any rights with respect to the Capped Call Transactions.

0.25% Convertible Notes due 2027

In March 2021, we completed the sale of $805.0 million in aggregate principal amount of 0.25% Convertible Senior Notes due 2027 (the "2027 Convertible Notes"). The net proceeds in connection with the issuance of the 2027 Convertible Notes, after deducting the initial purchasers' fee of $20.1 million, was approximately $784.9 million. We also incurred additional debt issuance costs totaling $0.4 million. Debt issuance costs and the initial purchasers' fee are presented as a debt discount.

The 2027 Convertible Notes pay interest semi-annually in arrears on March 1st and September 1st of each year at an annual rate of 0.25%. The 2027 Convertible Notes are general unsecured obligations and rank senior in right of payment to all indebtedness that is expressly subordinated in right of payment to the 2027 Convertible Notes, will rank equally in right of payment with all existing and future liabilities that are not so subordinated, are effectively junior to any secured indebtedness to the extent of the value of the assets securing such indebtedness and are structurally subordinated to all indebtedness and other liabilities (including trade payables) of our current or future subsidiaries. The 2027 Convertible Notes have a maturity date of March 1, 2027.

Holders may convert their 2027 Convertible Notes at their option only in the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on June 30, 2021, if the last reported sale price per share of common stock exceeds 130% of the conversion price for each of at least 20 trading days during the 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter; (2) during the five consecutive business days immediately after any five consecutive trading day period (such five consecutive trading day period, the "measurement period") in which the trading price per $1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price per share of our common stock on such trading day and the conversion rate on such trading day; (3) upon the occurrence of certain corporate events or distributions on our common stock, as described in the offering memorandum for the 2027 Convertible Notes; (4) if we call such notes for redemption; and (5) at any time from, and including, September 1, 2026 until the close of business on the scheduled trading day immediately before the maturity date. As of September 30, 2024, the 2027 Convertible Notes were not convertible.

Upon conversion, we will pay cash for the settlement of principal, and for the premium, if applicable, we will pay cash, deliver shares of common stock or a combination of cash and shares of common stock, at our election. The initial conversion rate for the 2027 Convertible Notes is 12.9576 shares of common stock per $1,000 in principal amount of 2027 Convertible Notes, equivalent to a conversion price of approximately $77.17 per share of our common stock. The conversion rate is subject to adjustment.

1.25% Convertible Notes due 2024

In November 2019, we completed the sale of $460.0 million in aggregate principal amount of 1.25% Convertible Senior Notes due 2024 (the "2024 Convertible Notes"). The net proceeds in connection with the issuance of the 2024 Convertible Notes, after deducting the initial purchasers' fee of $12.7 million, was approximately $447.3 million. We also incurred debt issuance cost totaling $0.3 million. Debt issuance costs and the initial purchasers' fee were presented as a debt discount.

In January 2021, we notified the note holders of our irrevocable election to settle the principal of the 2024 Convertible Notes in cash and for the premium, to deliver shares of common stock. The conversion rate for the 2024 Convertible Notes was 41.9208 shares of common stock per $1,000 in principal amount of 2024 Convertible Notes, equivalent to a conversion price of approximately $23.85 per share of our common stock. The conversion rate was subject to adjustment.

In January 2023, we issued a notice for the redemption of 2024 Convertible Notes. Holders of the notes could convert their notes at any time prior to the close of the business day prior to the redemption date. In March 2023, holders of the notes elected to convert the 2024 Convertible Notes in full. In connection with the conversion, we paid approximately $13.5 million in cash which included principal and accrued interest, and issued 288,886 shares of our common stock representing the intrinsic value based on the contractual conversion rate.

Revolving Credit and Term Loan Facilities

In May 2022, we entered into a credit agreement, which was subsequently amended in August 2022 (the "Amendment"), with Bank of America, N.A., as Administrative Agent, Swing Line Lender and an L/C Issuer, and the other lenders and L/C Issuers party thereto (the "2022 Credit Agreement"), evidencing a credit facility (the "2022 Facility") that provides for (i) a $575 million revolving credit facility (the "Revolving Credit Facility") and (ii) a $250 million term loan facility (the "Term Facility"). Concurrently, with the entry into the Amendment, we repaid the entire outstanding Term Loan Facility and repaid all outstanding loans under the Revolving Credit Facility under the 2022 Credit Agreement. The 2022 Facility will mature on November 30, 2026 unless either the Revolving Credit Facility or the Term Facility is extended prior to such date in accordance with the 2022 Credit Agreement.

The Term Facility requires quarterly scheduled repayments of the term loans in each of the first, second, third and fourth years following the closing in annual amounts equal to 2.50%, 5.00%, 7.50% and 10.00% of the initial principal amount of the term loans, respectively. The term loans are also subject to mandatory prepayments from the proceeds of certain asset sales, subject to our right to reinvest the proceeds thereof.

Borrowings under the 2022 Facility bear interest, at our option, at a rate equal to an applicable margin plus: (a) the applicable Term Secured Overnight Financing Rate ("SOFR") (which includes a SOFR adjustment of 0.10%), or (b) a base rate determined by reference to the highest of (1) the federal funds effective rate plus 0.50%, (2) the Bank of America prime rate, (3) the Term SOFR rate for an interest period of one month plus 1.10%, and (4) 1.00%. The margin for the 2022 Facility ranges, based on our consolidated total net leverage ratio, from 0.25% to 1.25% in the case of base rate loans and from 1.25% to 2.25% in the case of Term SOFR rate loans. In addition to paying interest on the outstanding principal under the 2022 Facility, we will pay (i) a commitment fee in respect of the unutilized commitments thereunder and (ii) customary letter of credit fees and agency fees. The commitment fees range from 0.15% to 0.35% per annum based on our consolidated net leverage ratio.

As of September 30, 2024, the revolving credit facility was undrawn.

Additional Capital Requirements

Our expected working capital and other capital requirements are described in "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2023. As of September 30, 2024, there have been no material changes to our expected working capital and other capital requirements described in our Annual Report on Form 10-K for the year ended December 31, 2023.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based on our condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of our condensed consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities.

Our significant accounting policies are described in Part II, Item 8, Note 2, *Summary of Significant Accounting Policies*, to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2023. The accounting policies and estimates that are most critical to a full understanding and evaluation of our reported financial results are described in Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* of our Annual Report on Form 10-K for the year ended December 31, 2023. There were no material changes to our critical accounting policies or estimates during the nine months ended September 30, 2024.

Recent Accounting Pronouncements

Refer to Note 2, *Summary of Significant Accounting Policies*, of our condensed consolidated financial statements for a discussion of recent accounting pronouncements and their effect, if any.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in our market risks during the quarter ended September 30, 2024.

As of September 30, 2024, our cash equivalents and marketable securities consisted of investments in money market funds, asset-backed securities, U.S. Treasury securities, corporate debt securities, agency bonds and commercial paper. These investments were made in accordance with our investment policy which specifies the categories, allocations, and ratings of securities we may consider for investment. The primary objective of our investment activities is to preserve principal while at the same time maximizing the income we receive without significantly increasing risk. Some of the financial instruments that we invest in could be subject to market risk. This means that a change in prevailing interest rates may cause the value of the instruments to fluctuate. For example, if we purchase a security that was issued with a fixed interest rate and the prevailing interest rate later rises, the value of that security may decline. Based on our current investment portfolio as of September 30, 2024, we do not believe that our results of operations would be materially impacted by an immediate change of 10% in interest rates.

We hedge a portion of foreign currency exchange risk associated with forecasted royalties revenue denominated in Swiss francs to reduce the risk of our earnings and cash flows being adversely affected by fluctuations in exchange rates. These transactions are designated and qualify as cash flow hedges. The cash flow hedges are carried at fair value with mark-to-market gains and losses recorded within AOCI in our condensed consolidated balance sheets and reclassified to royalty revenue in our condensed consolidated statements of income in the same period as the recognition of the underlying hedged transaction. We do not issue derivatives, derivative commodity instruments or other financial instruments for speculative trading purposes.

Further, we do not believe our cash, cash equivalents and marketable securities have significant risk of default or illiquidity. We made this determination based on discussions with our investment advisors and a review of our holdings. While we believe our cash, cash equivalents and marketable securities do not contain excessive risk, we cannot provide absolute assurance that in the future our investments will not be subject to adverse changes in market value. All of our cash equivalents and marketable securities are recorded at fair market value.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the timelines specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decision regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives, and in reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q.

Changes in Internal Control Over Financial Reporting

There have been no significant changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may be involved in disputes, including litigation, relating to claims arising out of operations in the normal course of our business. Any of these claims could subject us to costly legal expenses and, while we generally believe that we have adequate insurance to cover many different types of liabilities, our insurance carriers may deny coverage or our policy limits may be inadequate to fully satisfy any damage awards or settlements. If this were to happen, the payment of any such awards could have a material adverse effect on our condensed consolidated statements of income and balance sheets. Additionally, any such claims, whether or not successful, could damage our reputation and business. We currently are not a party to any legal proceedings, the adverse outcome of which, in our opinion, individually or in the aggregate, would have a material adverse effect on our condensed consolidated statements of income or balance sheets.

Item 1A. Risk Factors

There have been no material changes to the risk factors set forth under Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In December 2021, the Board of Directors authorized a capital return program to repurchase up to $750.0 million of outstanding stock over a three-year period which we completed in June 2024.

In February 2024, our Board of Directors authorized a new capital return program to repurchase up to $750.0 million of our outstanding common stock. There were no share repurchases made during the third quarter of 2024.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the three months ended September 30, 2024, the following director and officer each adopted a Rule 10b5-1 trading arrangement (as such terms are defined pursuant to Item 408(a) of Regulation S-K) as noted in the table below.

			Trading Arrangement			
Name and Title	**Action**	**Date**	**Rule 10b5-1***	**Non-Rule 10b5-1****	**Total Shares To Be Sold**	**Expiration Date**
Jeffrey W. Henderson Director (Board Chair)	Adoption	9/17/2024	X		25,000	The earlier of 04/30/2025 or date all shares are sold
Michael J. LaBarre Senior Vice President and Chief Technical Officer	Adoption	9/18/2024	X		40,000	The earlier of 08/27/2025 or date all shares are sold

* Contract, instruction or written plan intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act.

** Non-Rule 10b5-1 trading arrangement as defined in Item 408(c) of Regulation S-K under the Exchange Act.

Item 6. Exhibits

3.1	Amended and Restated Certificate of Incorporation of Halozyme Therapeutics, Inc. (filed as Exhibit 3.1 to the Company's Form 8-K filed April 26, 2024 and incorporated herein by reference)
3.2	Bylaws, as amended (filed as Exhibit 3.1 to the Company's Form 8-K filed December 10, 2021 and incorporated herein by reference)
4.1	Indenture, dated March 1, 2021, between Halozyme Therapeutics, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee (filed as Exhibit 4.1 to the Company's Form 8-K filed March 1, 2021 and incorporated herein by reference)
4.2	Form of Note, dated March 1, 2021, between Halozyme Therapeutics, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee, (filed as Exhibit 4.2 to the Company's Form 8-K filed March 1, 2021 and incorporated herein by reference)
4.3	Indenture, dated August 18, 2022, between Halozyme Therapeutics, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee, (filed as Exhibit 4.1 to the Company's Form 8-K filed August 18, 2022 and incorporated herein by reference)
4.4	Form of Note, dated August 18, 2022, between Halozyme Therapeutics, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee, (included within Exhibit 4.1) (filed as Exhibit 4.2 to the Company's Form 8-K filed August 18, 2022 and incorporated herein by reference)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended (filed herewith)
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended (filed herewith)
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
101.INS	Instance Document - the instance document does not appear in the interactive Data File because its XBRL tags are embedded within the Inline XBRL document (filed herewith)
101.SCH	Inline Taxonomy Extension Schema Document (filed herewith)
101.CAL	Inline Taxonomy Extension Calculation Linkbase Document (filed herewith)
101.DEF	Inline Taxonomy Extension Definition Linkbase Document (filed herewith)
101.LAB	Inline Taxonomy Extension Label Linkbase Document (filed herewith)
101.PRE	Inline Taxonomy Extension Presentation Linkbase Document (filed herewith)
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101) (filed herewith)

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.

Halozyme Therapeutics, Inc.
(Registrant)

Dated: October 31, 2024

/s/ Helen I. Torley, M.B. Ch.B., M.R.C.P.

Helen I. Torley, M.B. Ch.B., M.R.C.P.
President and Chief Executive Officer
(Principal Executive Officer)

Dated: October 31, 2024

/s/ Nicole LaBrosse

Nicole LaBrosse
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Helen I. Torley, M.B. Ch.B., M.R.C.P., Chief Executive Officer of Halozyme Therapeutics, Inc. certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Halozyme Therapeutics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Dated: October 31, 2024

/s/ Helen I. Torley, M.B. Ch.B., M.R.C.P.

Helen I. Torley, M.B. Ch.B., M.R.C.P
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Nicole LaBrosse, Chief Financial Officer of Halozyme Therapeutics, Inc. certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Halozyme Therapeutics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Dated: October 31, 2024

/s/ Nicole LaBrosse
Nicole LaBrosse
Senior Vice President and Chief Financial Officer

EXHIBIT 32

CERTIFICATION OF
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Halozyme Therapeutics, Inc. (the "Registrant") on Form 10-Q for the quarter ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Helen I. Torley, M.B. Ch.B., M.R.C.P., Chief Executive Officer of the Registrant, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: October 31, 2024

/s/ Helen I. Torley, M.B. Ch.B., M.R.C.P.
Helen I. Torley, M.B. Ch.B., M.R.C.P.
President and Chief Executive Officer

In connection with the Quarterly Report of Halozyme Therapeutics, Inc. (the "Registrant") on Form 10-Q for the quarter ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Nicole LaBrosse, Chief Financial Officer of the Registrant, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: October 31, 2024

/s/ Nicole LaBrosse
Nicole LaBrosse
Senior Vice President and Chief Financial Officer