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DELTA REPORT

10-Q

HALO - HALOZYME THERAPEUTICS, IN

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1409
CHANGES	155
DELETIONS	870
ADDITIONS	384

REFINITIV

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**

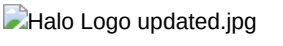
For the quarterly period ended September 30, 2023 March 31, 2024

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	**92130**
San Diego	*(Zip Code)*
California	
(Address of principal executive offices)	

(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 x 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 x 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 x

The number of outstanding shares of the registrant's common stock, par value $0.001 per share, was 132,098,110 127,274,000 as of October 31, 2023 April 30, 2024.

HALOZYME THERAPEUTICS, INC.
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Summary of Risk Factors

Our business is subject to a number of risks and uncertainties, including those described in the section labeled "Risk Factors" in "Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Quarterly Report. These risks include the following:

Risks Related To Our Business

- If our partnered or proprietary product candidates do not receive and maintain regulatory approvals, or if approvals are not obtained in a timely manner, such failure or delay would substantially impact our ability to generate revenues.

- Use of our partnered or proprietary products and product candidates could be associated with adverse events or product recalls.
- If our contract manufacturers or vendors are unable or unwilling for any reason to manufacture and supply to us bulk rHuPH20 or other raw materials, reagents, components or devices in the quantity and quality required by us or our partners for use in the production of proprietary or partnered products and product candidates, our and our partners' product development or commercialization efforts could be delayed or suspended and our business results associated with operations and our collaborations could be harmed.
- We rely on third parties to perform necessary services for our products including services related to the distribution, invoicing, rebates and contract administration, co-pay program administration, sample distribution and administration, storage and transportation of our products. If anything should impede their ability to meet their commitments, this could impact our business performance.
- If we or any party to a key collaboration agreement fail to perform material obligations under such agreement, or if a key collaboration agreement is terminated for any reason, our business could suffer.
- Hylenex and our partners' ENHANZE® products and product candidates rely on the rHuPH20 enzyme, and any adverse development regarding rHuPH20 could substantially impact multiple areas of our business, including current and potential ENHANZE collaborations, as well as any proprietary programs.
- Our business strategy is focused on growth of our ENHANZE and auto-injector technologies, commercial products and potential growth through acquisition. Currently, ENHANZE is the largest revenue driver and as a result there is a risk for potential negative impact from adverse developments. Future expansion of our strategic focus to additional applications of our ENHANZE technology or by acquiring new technologies may require the use of additional resources, result in increased expense and ultimately may not be successful.
- Our partnered or proprietary product candidates may not receive regulatory approvals or their development may be delayed for a variety of reasons, including delayed or unsuccessful clinical trials, regulatory requirements or safety concerns. If we or our partners fail to obtain, or have delays in obtaining, regulatory approvals for any product candidates, our business, financial condition and results of operations may be materially adversely affected.
- Our third-party partners are responsible for providing certain proprietary materials that are essential components of our partnered products and product candidates, and any failure to supply these materials could delay the development and commercialization efforts for these partnered products and product candidates and/or harm our collaborations. Our partners are also responsible for distributing and commercializing their products, and any failure to successfully commercialize their products could materially adversely affect our revenues.
- If we or our partners fail to comply with regulatory requirements applicable to promotion, sale and manufacturing of approved products, regulatory agencies may take action against us or them, which could harm our business.
- Failure of our auto-injector and specialty products business to perform could adversely impact our future business and operations.
- Business interruptions resulting from pandemics or similar public health crises could cause a disruption of the development of our and our partnered product candidates and commercialization of our approved and our partnered products, impede our ability to supply bulk rHuPH20 to our ENHANZE partners or procure and sell our proprietary products and otherwise adversely impact our business and results of operations.
- We may need to raise additional capital in the future and there can be no assurance that we will be able to obtain such funds.
- We currently have significant debt and expect to incur additional debt. Failure by us to fulfill our obligations under the applicable debt agreements may cause repayment obligations to accelerate.

- The conditional conversion feature of the Convertible Notes, if triggered, may adversely affect our financial condition and operating results.
- Conversion of our Convertible Notes may dilute the ownership interest of existing stockholders or may otherwise depress the price of our common stock.
- If proprietary or partnered product candidates are approved for commercialization but do not gain market acceptance resulting in commercial performance below that which was expected or projected, our business may suffer.
- Our ability to license our ENHANZE and device technologies to our partners depends on the validity of our patents and other proprietary rights.
- Developing, manufacturing and marketing pharmaceutical products for human use involves significant product liability risks for which we may have insufficient insurance coverage.
- If our partners do not achieve projected development, clinical, or regulatory goals in the timeframes publicly announced or otherwise expected, the commercialization of our partners products may be delayed and, as a result, our business, financial condition, and results of operations may be adversely affected.

- Future acquisitions could disrupt our business and impact our financial condition.
- Our effective tax rate may fluctuate, and we may incur obligations in tax jurisdictions in excess of accrued amounts.

Risks Related To Ownership of Our Common Stock

- Our stock price is subject to significant volatility.
- Future transactions where we raise capital may negatively affect our stock price.
- Anti-takeover provisions in our charter documents, the Indentures and Delaware law may make an acquisition of us more difficult.

Risks Related to Our Industry

- Our and our partnered products must receive regulatory approval before they can be sold, and compliance with the extensive government regulations is expensive and time consuming and may result in the delay or cancellation of our or our partnered product sales, introductions or modifications.
- Because some of our and our partnered products and product candidates are considered to be drug/device combination products, the approval and post-approval requirements that we and they are required to comply with can be more complex.
- We may be subject, directly or indirectly, to various broad federal and state healthcare laws. If we are unable to comply, or have not fully complied, with such laws, we could face civil, criminal and administrative penalties, damages, monetary fines, disgorgement, possible exclusion from participation in Medicare, Medicaid and other federal healthcare programs, contractual damages, reputational harm, diminished profits and future earnings and curtailment or restructuring of our operations, any of which could adversely affect our ability to operate.
- We may be required to initiate or defend against legal proceedings related to intellectual property rights, which may result in substantial expense, delay and/or cessation of certain development and commercialization of our products.
- We may incur significant liability if it is determined that we are promoting or have in the past promoted the “off-label” use of drugs or medical devices, or otherwise promoted or marketed approved products in a manner inconsistent with the FDA’s requirements.
- For certain of our products, we and our independent contractors, distributors, prescribers, and dispensers are required to comply with regulatory requirements related to controlled substances, which will require the expenditure of additional time and will incur additional expenses to maintain compliance and may subject us to additional penalties for noncompliance, which could inhibit successful commercialization.
- Patent protection for biotechnology inventions and for inventions generally is subject to significant scrutiny; if patent laws or the interpretation of patent laws change, our business may be adversely impacted because we may lose the ability to obtain patent protection or enforce our intellectual property rights against competitors who develop and commercialize products based on our discoveries.
- If third-party reimbursement and customer contracts are not available, our proprietary and partnered products may not be accepted in the market resulting in commercial performance below that which was expected or projected.
- The rising cost of healthcare and related pharmaceutical product pricing has led to cost containment pressures from third-party payers as well as changes in federal coverage and reimbursement policies and practices that could cause us and our partners to sell our products at lower prices, and impact access to our and our partnered products, resulting in less revenue to us.
- We face competition and rapid technological change that could result in the development of products by others that are competitive with our proprietary and partnered products, including those under development.

General Risks

- If we are unable to attract, hire and retain key personnel, our business could be negatively affected.
- Our operations might be interrupted by the occurrence of a natural disaster or other catastrophic event.
- Cyberattacks, security breaches or system breakdowns may disrupt our operations and harm our operating results and reputation.

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

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

		September 30, 2023	December 31, 2022				
		March 31, 2024				March 31, 2024	December 31, 2023
ASSETS	**ASSETS**						
Current assets	Current assets						
Current assets							
Current assets							
Cash and cash equivalents							
Cash and cash equivalents							
Cash and cash equivalents	Cash and cash equivalents	$ 274,227	$ 234,195				
Marketable securities, available-for-sale	Marketable securities, available-for-sale	209,055	128,599				
Accounts receivable, net and contract assets	Accounts receivable, net and contract assets	217,325	231,072				
Inventories, net	Inventories, net	128,921	100,123				
Prepaid expenses and other current assets	Prepaid expenses and other current assets	49,478	45,024				
Total current assets	Total current assets	879,006	739,013				
Property and equipment, net	Property and equipment, net	74,669	75,570				
Prepaid expenses and other assets	Prepaid expenses and other assets	18,115	26,301				
Goodwill	Goodwill	416,821	409,049				
Intangible assets, net	Intangible assets, net	490,641	546,652				
Deferred tax assets, net	Deferred tax assets, net	13,410	44,426				
Restricted cash		—	500				
Total assets							
Total assets							
Total assets	Total assets	$ 1,892,662	$1,841,511				
LIABILITIES AND STOCKHOLDERS' EQUITY	**LIABILITIES AND STOCKHOLDERS' EQUITY**						
LIABILITIES AND STOCKHOLDERS' EQUITY							
LIABILITIES AND STOCKHOLDERS' EQUITY							

Current liabilities			
Current liabilities			
Current liabilities	Current liabilities		
Accounts payable	Accounts payable	$ 19,318	$ 17,693
Accounts payable			
Accounts payable			
Accrued expenses	Accrued expenses	95,200	96,516
Deferred revenue, current portion		667	3,246
Current portion of long-term debt, net		—	13,334
Total current liabilities	Total current liabilities	115,185	130,789
Deferred revenue, net of current portion		2,253	2,253
Total current liabilities			
Total current liabilities			
Long-term debt, net			
Long-term debt, net			
Long-term debt, net	Long-term debt, net	1,497,621	1,492,766
Other long-term liabilities	Other long-term liabilities	28,422	30,433
Contingent liability		—	15,472
Total liabilities	Total liabilities	1,643,481	1,671,713
Commitments and contingencies (Note 12)			
Total liabilities			
Total liabilities			
Commitments and contingencies (Note 11)			Commitments and contingencies (Note 11)
Stockholders' equity	Stockholders' equity		
Preferred stock - $0.001 par value; 20,000 shares authorized; no shares issued and outstanding	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; 132,081 and 135,154 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively		132	135

Preferred stock - $0.001 par value; 20,000 shares authorized; no shares issued and outstanding			
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; 127,186 and 126,770 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively			
Additional paid-in capital	Additional paid-in capital	25,537	27,368
Accumulated other comprehensive gain (loss)		1,227	(922)
Accumulated other comprehensive loss			
Retained earnings	Retained earnings	222,285	143,217
Total stockholders' equity	Total stockholders' equity	249,181	169,798
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	$ 1,892,662	$1,841,511

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 March 31,		Three Months Ended March 31,		Three Months Ended March 31,	
		Three Months Ended September 30,		Nine Months Ended September 30,			
		2023	2022	2023	2022		
Revenues	Revenues						

Revenues					
Revenues					
Royalties					
Royalties					
Royalties	Royalties	$ 114,433	$ 99,551	$ 325,813	$ 254,496
Product sales, net	Product sales, net	86,569	61,427	221,252	129,867
Product sales, net					
Product sales, net					
Revenues under collaborative agreements					
Revenues under collaborative agreements					
Revenues under collaborative agreements	Revenues under collaborative agreements	15,031	47,998	52,149	94,257
Total revenues	Total revenues	216,033	208,976	599,214	478,620
Total revenues					
Total revenues					
Operating expenses					
Operating expenses					
Operating expenses	Operating expenses				
Cost of sales	Cost of sales	54,823	47,319	140,063	97,184
Cost of sales					
Cost of sales					
Amortization of intangibles					
Amortization of intangibles					
Amortization of intangibles	Amortization of intangibles	20,341	27,193	56,011	38,596
Research and development	Research and development	17,321	16,705	55,027	44,041
Research and development					
Research and development					
Selling, general and administrative					
Selling, general and administrative					
Selling, general and administrative	Selling, general and administrative	35,269	34,467	111,574	105,777
Total operating expenses	Total operating expenses	127,754	125,684	362,675	285,598
Total operating expenses					
Total operating expenses					
Operating income					
Operating income					
Operating income	Operating income	88,279	83,292	236,539	193,022
Other income (expense)	Other income (expense)				

Other income (expense)					
Other income (expense)					
Investment and other income, net	Investment and other income, net	4,786	641	10,957	194
Inducement expense related to convertible notes		—	(2,712)	—	(2,712)
Contingent liability fair value measurement gain		13,200	—	13,200	—
Investment and other income, net					
Investment and other income, net					
Interest expense					
Interest expense					
Interest expense	Interest expense	(4,505)	(7,514)	(13,542)	(12,377)
Net income before income taxes	Net income before income taxes	101,760	73,707	247,154	178,127
Net income before income taxes					
Net income before income taxes					
Income tax expense	Income tax expense	19,923	12,073	50,948	33,700
Income tax expense					
Income tax expense					
Net income					
Net income					
Net income	Net income	$ 81,837	$ 61,634	$ 196,206	$ 144,427
Earnings per share	Earnings per share				
Earnings per share					
Earnings per share					
Basic	Basic	$ 0.62	$ 0.45	$ 1.48	$ 1.05
Basic					
Basic					
Diluted					
Diluted					
Diluted	Diluted	$ 0.61	$ 0.44	$ 1.45	$ 1.02
Weighted average common shares outstanding	Weighted average common shares outstanding				
Weighted average common shares outstanding					
Weighted average common shares outstanding					
Basic					
Basic					
Basic	Basic	131,965	136,527	132,896	137,370
Diluted	Diluted	134,083	139,387	135,233	141,019
Diluted					
Diluted					

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,	
		2023	2022	2023	2022
		Three Months Ended March 31, 2024	Three Months Ended March 31, 2024	Three Months Ended March 31, 2024	
Net income	Net income	$ 81,837	$ 61,634	$ 196,206	$ 144,427
Other comprehensive income:					
Net income					
Net income					
Other comprehensive income					
Other comprehensive income					
Other comprehensive income					
Unrealized (loss) gain on marketable securities					
Unrealized (loss) gain on marketable securities					
Unrealized (loss) gain on marketable securities	Unrealized (loss) gain on marketable securities	(49)	182	706	(1,257)
Foreign currency translation adjustment	Foreign currency translation adjustment	—	(1)	24	1
Unrealized gain on foreign currency		2	—	1	40
Foreign currency translation adjustment					
Foreign currency translation adjustment					
Unrealized gain on derivative instruments, net					
Unrealized gain on derivative instruments, net					
Unrealized gain on derivative instruments, net	Unrealized gain on derivative instruments, net	3,426	—	2,001	—
Realized gain on derivative instruments, net	Realized gain on derivative instruments, net	(537)	—	(583)	—
Realized gain on derivative instruments, net					

	Realized gain on derivative instruments, net				
Comprehensive income	Comprehensive income	$ 84,679	$ 61,815	$ 198,355	$ 143,211
Comprehensive income					
Comprehensive income					

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,	
	2023	**2022**
Operating activities		
Net income	$ 196,206	$ 144,427
Adjustments to reconcile net income to net cash provided by in operating activities:		
Share-based compensation	26,956	17,174
Depreciation and amortization	8,152	3,931
Amortization of intangible assets	56,011	38,596
Amortization of debt discount	5,476	6,007
Amortization of (premium) discounts on marketable securities, net	(3,830)	985
Realized loss on marketable securities	—	1,727
Loss on disposal of equipment	517	80
Contingent liability fair value measurement adjustment	(13,200)	—
Recognition of deferred revenue	(2,579)	(1,573)
Lease payments recognized (deferred)	—	(638)
Induced conversion expense related to convertible notes	—	2,712
Deferred income taxes	25,083	25,329
Other	—	(228)
Changes in operating assets and liabilities:		
Accounts receivable, net and other contract assets	13,546	(76,186)
Inventories	(28,353)	(14,536)
Prepaid expenses and other assets	5,299	(14,359)
Accounts payable and accrued expenses	(3,067)	24,209
Net cash provided by operating activities	286,217	157,657
Investing activities		
Purchases of marketable securities	(271,617)	(225,689)
Proceeds from sales and maturities of marketable securities	195,697	725,995
Acquisition of business, net of cash acquired	—	(999,120)
Purchases of property and equipment	(12,698)	(2,466)
Proceeds from the sale of assets	—	16,021
Net cash used in investing activities	(88,618)	(485,259)
Financing activities		
Proceeds from term loan	—	250,000

Repayment of term loan	—	(250,000)
Proceeds from revolving credit facilities	—	120,000
Repayment of revolving credit facilities	—	(120,000)
Repayment of 2024 Convertible Notes	(13,483)	(77,453)
Proceeds from issuance of 2028 Convertible Notes	—	702,000
Purchase of capped call	—	(69,120)
Payment of debt issuance costs	—	(6,465)
Repurchase of common stock	(150,083)	(200,001)
Proceeds from issuance of common stock under equity incentive plans, net of taxes paid related to net share settlement	5,499	7,081
Net cash (used in) provided by financing activities	(158,067)	356,042
Net increase in cash, cash equivalents and restricted cash	39,532	28,440
Cash, cash equivalents and restricted cash at beginning of period	234,695	119,219
Cash, cash equivalents and restricted cash at end of period	$ 274,227	$ 147,659

Three Months Ended March 31,		Three Months Ended March 31,	
Supplemental disclosure of non-cash investing and financing activities:			
		2024	2023
Operating activities			
Net income			
Net income			
Net income			
Adjustments to reconcile net income to net cash provided by operating activities			
Share-based compensation			
Share-based compensation			
Share-based compensation			
Depreciation and amortization			
Amortization of intangible assets			
Amortization of debt discount			
Amortization of premium on marketable securities, net			
Realized gain on marketable securities			

Lease payments deferred
Lease payments deferred
Lease payments deferred
Deferred income taxes
Deferred income taxes
Deferred income taxes
Changes in operating assets and liabilities
Changes in operating assets and liabilities
Changes in operating assets and liabilities
Accounts receivable, net and other contract assets
Accounts receivable, net and other contract assets
Accounts receivable, net and other contract assets
Inventories, net
Prepaid expenses and other assets
Accounts payable and accrued expenses
Net cash provided by operating activities
Investing activities
Purchases of marketable securities
Purchases of marketable securities
Purchases of marketable securities
Proceeds from sales and maturities of marketable securities
Purchases of property and equipment
Purchases of property and equipment
Purchases of property and equipment
Net cash used in investing activities
Net cash used in investing activities
Net cash used in investing activities

Financing activities			
Repayment of 2024 Convertible Notes			
Repayment of 2024 Convertible Notes			
Repayment of 2024 Convertible Notes			
Repurchase of common stock			
Repurchase of common stock			
Repurchase of common stock			
Taxes paid related to net share settlement, net of proceeds from issuance of common stock under equity incentive plans			
Net cash used in financing activities			
Net increase (decrease) in cash, cash equivalents and restricted cash			
Cash, cash equivalents and restricted cash at beginning of period			
Cash, cash equivalents and restricted cash at end of period			
Supplemental disclosure of non-cash investing and financing activities			
Supplemental disclosure of non-cash investing and financing activities			
Supplemental disclosure of non-cash investing and financing activities			
Amounts accrued for purchases of property and equipment			
Amounts accrued for purchases of property and equipment			
Amounts accrued for purchases of property and equipment	Amounts accrued for purchases of property and equipment	$ 533	$ 319
Right-of-use assets obtained in exchange for lease obligation	Right-of-use assets obtained in exchange	$1,211	$ 970

	for lease obligation		
Debt issuances cost included in accounts payable		$ —	$ 639
Common stock issued for conversion of 2024 Convertible Notes			
Common stock issued for conversion of 2024 Convertible Notes			
Common stock issued for conversion of 2024 Convertible Notes	Common stock issued for conversion of 2024 Convertible Notes	$ 125	$1,019

See accompanying notes to condensed consolidated financial statements.

HALOZYME THERAPEUTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)
(in thousands)

Three Months Ended March 31, 2024

	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
BALANCE AS OF DECEMBER 31, 2023						
BALANCE AS OF DECEMBER 31, 2023						
BALANCE AS OF DECEMBER 31, 2023						
Share-based compensation expense	Share-based compensation expense	—	—	9,367	—	—	9,367
Share-based compensation expense						
Share-based compensation expense						
Issuance of common stock pursuant to exercise of stock options and vesting of restricted stock and performance stock units, net						

Three Months Ended September 30, 2023

Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Stockholders' Equity

Three Months Ended March 31, 2024

Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Stockholders' Equity

Issuance of common stock pursuant to exercise of stock options and vesting of restricted stock and performance stock units, net							
Issuance of common stock pursuant to exercise of stock options and vesting of restricted stock and performance stock units, net	Issuance of common stock pursuant to exercise of stock options and vesting of restricted stock and performance stock units, net	225	—	4,102	—	—	4,102
Other comprehensive income	Other comprehensive income	—	—	—	2,842	—	2,842
Other comprehensive income							
Other comprehensive income							
Net income	Net income	—	—	—	—	81,837	81,837
BALANCE AS OF SEPTEMBER 30, 2023		132,081	$ 132	$ 25,537	$ 1,227	$ 222,285	$ 249,181
BALANCE AS OF MARCH 31, 2024							

		Nine Months Ended September 30, 2023					
		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss)/Income	Retained Earnings	Total Stockholders' Equity
		Shares	Amount				
Three Months Ended March 31, 2023							
Three Months Ended March 31, 2023							

Three Months Ended March 31, 2023					
Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Stockholders' Equity
BALANCE AS OF DECEMBER 31, 2022				
BALANCE AS OF DECEMBER 31, 2022				

BALANCE AS OF DECEMBER 31, 2022	BALANCE AS OF DECEMBER 31, 2022	135,154	$ 135	$ 27,368	$ (922)	$ 143,217	$ 169,798
Share-based compensation expense	Share-based compensation expense	—	—	26,956	—		26,956
Issuance of common stock for the conversion of 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

Share-based compensation expense							
Share-based compensation expense							
Issuance of common stock for the conversion of the 2024 Convertible Notes							
Issuance of common stock pursuant to exercise of stock options and vesting of restricted stock and performance stock units, net							
Repurchase of common stock	Repurchase of common stock	(4,165)	(4)	(34,159)		(117,138)	(151,301)
Repurchase of common stock							
Repurchase of common stock							
Other comprehensive income							
Other comprehensive income							
Other comprehensive income	Other comprehensive income	—	—	—	2,149		2,149
Net income	Net income	—	—	—	—	196,206	196,206
BALANCE AS OF SEPTEMBER 30, 2023		132,081	$ 132	$ 25,537	$ 1,227	$ 222,285	$ 249,181
BALANCE AS OF MARCH 31, 2023							

	Three Months Ended September 30, 2022					
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
	Shares	Amount				
BALANCE AS OF JUNE 30, 2022	137,681	$ 138	$ 271,169	$ (2,017)	$ 23,881	$ 293,171
Share-based compensation expense	—	—	6,797	—	—	6,797
Issuance of common stock for the induced conversion related to convertible notes	1,512	1	1,692			1,693
Issuance of common stock pursuant to exercise of stock options and vesting of restricted stock performance stock units, net	137	1	2,635	—	—	2,636
Capped call transaction			(69,120)			(69,120)
Repurchase of common stock	(4,119)	(5)	(199,996)			(200,001)
Other comprehensive income	—	—	—	181	—	181
Net income	—	—	—	—	61,634	61,634
BALANCE AS OF SEPTEMBER 30, 2022	135,211	$ 135	$ 13,177	$ (1,836)	$ 85,515	$ 96,991

	Nine Months Ended September 30, 2022				
	Common Stock		Additional	Accumulated	Retained Earnings	Total

	Shares	Amount	Paid-In Capital	Other Comprehensive Loss	(Accumulated Deficit)	Stockholders' Equity
BALANCE AS OF DECEMBER 31, 2021	137,498	$ 138	$ 256,347	$ (620)	$ (58,912)	$ 196,953
Share-based compensation expense	—	—	17,174	—	—	17,174
Issuance of common stock for the induced conversion related to convertible notes	1,512	1	1,692			1,693
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	753	1	7,080	—	—	7,081
Capped call transaction			(69,120)			(69,120)
Repurchase of common stock	(4,552)	(5)	(199,996)			(200,001)
Other comprehensive loss	—	—	—	(1,216)	—	(1,216)
Net income	—	—	—	—	144,427	144,427
BALANCE AS OF SEPTEMBER 30, 2022	135,211	$ 135	$ 13,177	$ (1,836)	$ 85,515	$ 96,991

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 biopharma technology platform biopharmaceutical company that provides innovative and advancing disruptive solutions with the goal of improving the to improve patient experience experiences and potentially outcomes. outcomes for emerging and established therapies.

Our 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. fluids with the goal of reducing the treatment burden for patients. We license our technology to biopharmaceutical companies to collaboratively develop products that combine our ENHANZE® drug deliverytechnology ("ENHANZE") with the 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. 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 the our ENHANZE technology to form collaborations with biopharmaceutical companies that develop 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 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"), Alexion Pharma International Operations Unlimited Company (an indirect wholly owned subsidiary of AstraZeneca PLC) ("Alexion"), argenx BVBA ("argenx"), Horizon Therapeutics plc. (a wholly owned subsidiary of Amgen Inc.) ("Horizon"), ViiV Healthcare (the global specialist HIV Company majority owned by GlaxoSmithKline) ("ViiV"), Chugai Pharmaceutical Co., Ltd 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 four sales of these collaborations, seven commercial products including royalties from sales of one commercial product from each of the Takeda, collaboration, Janssen and argenx collaborations and four commercial products products from the Roche collaboration, one product from the Janssen collaboration and one product from the argenx collaboration.

We have commercialized auto-injector products with several pharmaceutical companies including 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 products XYOSTED®, utilizing our auto-injector technology, and TLANDO®, an oral formulation of testosterone. 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 interim unaudited 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, 2022 December 31, 2023, filed with the SEC on February 21, 2023 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 interim unaudited 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 interim unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the amounts reported in our interim unaudited 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, that which mature within 90 days or less from the date of purchase. As of September 30, 2023 March 31, 2024, our cash and cash equivalents consisted of money market funds, bank certificate of deposits, U.S. treasury securities 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 (loss) 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.

Restricted Cash

Under the lease terms of our facilities, we may be required to maintain letters of credit as security deposits during the terms of such leases. As of September 30, 2023, no restricted cash remained pledged as collateral for the letters of credit as the associated lease was terminated. As of December 31, 2022, restricted cash of $0.5 million was pledged as collateral for the letters of credit.

Fair Value of Financial Instruments

The authoritative guidance for fair value measurements establishes a three tier 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 March 31, 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 3 years to 12 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 sheets. 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 equipment 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, 2023 March 31, 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, 2023 March 31, 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 will 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 projects 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. 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 typical 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 within deferred revenue and deferred revenue, long-term 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 5, 4, *Revenue*, for further discussion on our collaborative arrangements.

Product Sales, Net

Proprietary Product Sales

Our commercial portfolio of proprietary products includes XYOSTED TLANDO 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 significant 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.

All other 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 or profit-sharing 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.

Revenue Presentation

In our condensed consolidated statements of income, we report the upfront payments, event-based development and regulatory milestones and sales milestones as revenues under collaborative agreements. We also include in this category revenues from separate research and development contracts pursuant to project authorization forms. We report royalties received from partners as a separate line in our condensed consolidated statements of income.

Revenues from sales of our proprietary and partnered products are included in product sales, net in our condensed consolidated statements of income.

In the footnotes to our condensed consolidated financial statements, we provide disaggregated revenue information by type of arrangement (royalties; product sales, net; and collaborative agreements), and additionally, by type of payment stream received under collaborative agreements (upfront license and target nomination fees; event-based development and regulatory milestones and other fees; sales-based milestones; and device licensing and development revenue).

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. 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, which are based on complex and evolving tax regulations. 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 taxes of $19.9 million and $50.9 million $19.2 million using an effective tax rate of 19.9% and 20.6% 20% for the three and nine months ended September 30, 2023, respectively. March 31, 2024. The difference between our effective tax rate and the U.S. federal statutory rate of 21% is primarily due to state income taxes, research and development credit generations, tax benefits on the Foreign Derived Intangible Income Deduction ("FDII") (net of reserves), tax detriments on 162(m) and other share-based compensation.

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

There are no relevant The following table provides a brief description of recently issued accounting pronouncements that would materially impact our condensed consolidated financial statements standards, those adopted in the current period and related disclosures. 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 standard 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 are currently evaluating the impact of the standard on our consolidated financial statements and related 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. Business Combination

On May 24, 2022, we acquired all outstanding equity interests of Antares Pharma, Inc. ("Antares") according to the terms and conditions of the Agreement and Plan of Merger, dated as of April 12, 2022 (the "Merger Agreement"). Antares is a specialty pharmaceutical company focused primarily on the development and commercialization of pharmaceutical products and technologies that address patient needs in targeted therapeutic areas. We acquired Antares as a part of our strategy to expand as a drug delivery company and include specialty products.

The total purchase consideration of Antares was $1,045.7 million. Each share of Antares common stock issued and outstanding was converted into the right to receive $5.60 in cash without interest, less any applicable withholding taxes ("Merger Consideration").

The acquisition of Antares has been accounted for using the acquisition method of accounting in accordance with authoritative guidance for business combinations, with Halozyme treated as the accounting acquirer, which requires, among other things, that the assets acquired and liabilities assumed be recognized at their fair value on the acquisition date. The judgments used to determine the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact our results of operations.

In the first six months of 2023, we recorded measurement period adjustments which increased goodwill by $7.8 million to adjust accrued expenses by $2.0 million, deferred tax liabilities by $5.6 million and accounts receivable by $0.2 million. The measurement period adjustments have been recorded to reflect facts and circumstances that existed as of the acquisition date. During the second quarter of 2023, we finalized the estimates impacting the allocation of purchase price consideration.

Unaudited Pro Forma Results

Our prior year consolidated financial statements includes Antares's operations from May 24, 2022 through September 30, 2022. Total revenues and net loss before taxes attributable to Antares and included in our condensed consolidated statements of income for the three months ended September 30, 2022 total $50.4 million and $35.5 million and $69.1 million and $75.3 million for the nine months ended September 30, 2022, respectively.

The following unaudited pro forma financial information summarizes combined results of operations of Halozyme and Antares as if the companies had been combined as of the beginning of our fiscal year 2021 (in thousands).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Total revenues	$ 216,033	$ 208,976	$ 599,214	$ 531,189
Net income	81,837	66,771	196,206	163,795

The unaudited pro forma financial information for all periods presented includes the business combination accounting effects resulting from this acquisition. The unaudited pro forma results include adjustments to reflect the amortization of the inventory step-up and the incremental intangible asset amortization to be incurred based on preliminary valuations of assets as well as certain material non-recurring transaction adjustments related to the acquisition. Adjustments to interest expense, financing costs and investment income were made to reflect the capital structure of the combined entity. Adjustments to income tax expense were also made to reflect the anticipated effective tax rate of the combined entity. The unaudited pro forma financial information as presented is for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of fiscal year 2021, nor is it necessarily an indication of trends in future results for a number of reasons, including, but not limited to, differences between the assumptions used to prepare the pro forma information, cost savings from operating efficiencies, potential synergies, and the impact of incremental costs incurred in integrating the businesses.

4. Fair Value Measurement

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

		September 30, 2023			
		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Asset-backed securities	Asset-backed securities	$ 4,599	$ —	$ (20)	$ 4,579
Corporate debt securities	Corporate debt securities	5,976	—	(31)	5,945
U.S. treasury securities	U.S. treasury securities	160,034	—	(104)	159,930
Agency bonds	Agency bonds	16,020	—	(73)	15,947
Commercial paper	Commercial paper	22,655	—	(1)	22,654
Total marketable securities, available-for-sale	Total marketable securities, available-for-sale	$ 209,284	$ —	$ (229)	$209,055

		December 31, 2022			
		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Asset-backed securities	Asset-backed securities	$ 1,146	$ —	$ —	$ 1,146
Corporate debt securities	Corporate debt securities	7,139	—	(9)	7,130

U.S. treasury securities	U.S. treasury securities	111,469	—	(934)	110,535
Agency bonds	Agency bonds	2,783	2	(1)	2,784
Commercial paper	Commercial paper	7,004	—	—	7,004
Commercial paper	Commercial paper				
Total marketable securities, available-for-sale	Total marketable securities, available-for-sale	$ 129,541	$ 2	$ (944)	$128,599

As of September 30, 2023 March 31, 2024, 43 33 available-for-sale marketable securities with a fair market value of $196.8 million $215.5 million were in a gross unrealized loss position of $0.2 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, 2023 March 31, 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):

	March 31, 2024	March 31, 2024	December 31, 2023
		September 30, 2023	December 31, 2022
Due within one year	Due within one year		
Due within one year	Due within one year	$ 179,400	$114,353
Due after one year but within five years	Due after one year but within five years	29,655	14,246
Total estimated fair value of contractual maturities, available-for-sale	Total estimated fair value of contractual maturities, available-for-sale	$ 209,055	$128,599

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, 2023			December 31, 2022		
	Level 1	Level 2	Total estimated fair value	Level 1	Level 2	Total estimated fair value
	March 31, 2024					
	Level 1					

	March 31, 2024			December 31, 2023		
	Level 1	Level 2	Total Estimated Fair Value	Level 1	Level 2	Total Estimated Fair Value

Assets	Assets						
Cash equivalents	Cash equivalents						
Cash equivalents							
Cash equivalents							
Money market funds							
Money market funds							
Money market funds	Money market funds	$ 147,113	$ —	$147,113	$191,704	$ —	$191,704
U.S. treasury securities	U.S. treasury securities	23,000	—	23,000	—	—	—
Available-for-sale marketable securities	Available-for-sale marketable securities						
Available-for-sale marketable securities							
Available-for-sale marketable securities							
Asset-backed securities							
Asset-backed securities							
Asset-backed securities	Asset-backed securities	—	4,579	4,579	—	1,146	1,146
Corporate debt securities	Corporate debt securities	—	5,945	5,945	—	7,130	7,130
U.S. treasury securities	U.S. treasury securities	159,930	—	159,930	110,535	—	110,535
Agency bonds	Agency bonds	15,947	—	15,947	2,784	—	2,784
Commercial paper	Commercial paper	—	22,654	22,654	—	7,004	7,004
Commercial paper							
Commercial paper							
Derivative instruments	Derivative instruments						
Currency hedging contracts (1)							
Currency hedging contracts (1)							
Currency hedging contracts (1)	Currency hedging contracts (1)	—	2,163	2,163	—	—	—

Total assets	**Total assets**	$ 345,990	$35,341	$381,331	$305,023	$15,280	$320,303
Liabilities	**Liabilities**						
Liabilities							
Liabilities							
Derivative instruments							
Derivative instruments							
Derivative instruments	Derivative instruments						
Currency hedging contracts (1)	Currency hedging contracts (1)	$ —	$ 347	347	$ —	$ —	—
Currency hedging contracts (1)							
Currency hedging contracts (1)							

(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, 2023 March 31, 2024, the derivative assets and liabilities recorded within prepaid expenses and other current assets, prepaid expense and other assets and other long-term liabilities in our condensed consolidated balance sheets were $1.6 1.3 million, $0.6 0.3 million and $0.3 0.5 million, respectively.

We had no available for sale securities that were classified within Level 3 as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

A contingent liability was assumed as part of the Antares acquisition related to TLANDO. The acquisition date fair value was measured using the income approach, specifically the probability weighted expected return method for the development milestone payments and the option pricing methodology using the Monte Carlo simulation for commercial milestone payments and royalty payments. Estimates and assumptions used in the Monte Carlo simulation include forecasted revenues, cost of debt, risk free rate, weighted average cost of capital, revenue market price risk and revenue volatility. Estimates and assumptions used in the income approach include the probability of achieving certain milestones and a discount rate. These unobservable inputs represent a Level 3 measurement because they are supported by little or no market activity and reflect our own assumptions in measuring fair value. Changes in the fair value subsequent to the acquisition date will be recognized in our condensed consolidated statements of income. In September 2023, we provided Lipocine notice of termination of the TLANDO license agreement effective January 31, 2024. Based on the fair value remeasurement performed as of September 30, 2023, we recognized a gain on change in fair value of the contingent liability of $13.2 million for the three months ended September 30, 2023 in our condensed consolidated statements of income.

5.

4. Revenue

Our disaggregated revenues were as follows (in thousands):

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	**2022**	**2023**	**2022**
		Three Months Ended March 31, 2024			
		Three Months Ended March 31, 2024			
		Three Months Ended March 31, 2024			
Royalties					
Royalties					
Royalties	Royalties	$ 114,433	$ 99,551	$ 325,813	$ 254,496
Product sales, net	Product sales, net				

Sales of bulk rHuPH20		37,001	19,259	86,203	60,764
Sale of proprietary products		31,511	24,180	91,765	44,559
Sale of device partnered products		18,057	17,988	43,284	24,544
Product sales, net					
Product sales, net					
Proprietary product sales					
Proprietary product sales					
Proprietary product sales					
Bulk rHuPH20 sales					
Bulk rHuPH20 sales					
Bulk rHuPH20 sales					
Device partnered product sales					
Device partnered product sales					
Device partnered product sales					
Total product sales, net					
Total product sales, net					
Total product sales, net	Total product sales, net	$ 86,569	$ 61,427	$ 221,252	$ 129,867
Revenues under collaborative agreements	Revenues under collaborative agreements				
Upfront license and target nomination fees		—	—	—	30,000
Event-based development and regulatory milestone and other fees		13,000	44,000	46,000	59,000
Revenues under collaborative agreements					
Revenues under collaborative agreements					
Event-based development and regulatory milestones and other fees					
Event-based development and regulatory milestones and other fees					
Event-based development and regulatory milestones and other fees					
Device licensing and development revenue					
Device licensing and development revenue					
Device licensing and development revenue	Device licensing and development revenue	2,031	3,998	6,149	5,257
Total revenues under collaborative agreements	Total revenues under collaborative agreements	$ 15,031	$ 47,998	$ 52,149	$ 94,257

Total revenues under collaborative agreements					
Total revenues under collaborative agreements					
Total revenues	Total revenues	$ 216,033	$ 208,976	$ 599,214	$ 478,620
Total revenues					
Total revenues					

During the three months ended September 30, 2023 March 31, 2024, we recognized revenue related to licenses granted to partners in prior periods in the amount of $127.4 million $134.6 million. This amount represents royalties earned in the current period in addition to $13.0 $14.0 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 $0.1 million during the three months ended September 30, 2023 March 31, 2024 that had been included in deferred revenues accrued expense and other long-term liabilities in our condensed consolidated balance sheets as of December 31, 2022.

During the nine months ended September 30, 2023, we recognized revenue related to licenses granted to partners in prior periods in the amount of $371.8 million. This amount represents royalties earned in the current period in addition to $46.0 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 $3.2 million during the nine months ended September 30, 2023 that had been included in deferred revenues in our condensed consolidated balance sheets as of December 31, 2022 December 31, 2023.

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

		September 30, 2023	December 31, 2022
		March 31, 2024	March 31, 2024	December 31, 2023
Accounts receivable, net	Accounts receivable, net	$ 213,987	$186,970
Other contract assets	Other contract assets	3,338	44,102
Deferred revenues	Deferred revenues	2,920	5,499

As of September 30, 2023 March 31, 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 $86.1 million $77.3 million, of which $83.2 million $72.7 million relates to unfulfilled product purchase orders and $2.9 million $4.6 million has been collected and is reported as deferred revenues 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 2024. Of the total deferred revenues of $2.9 million, $0.7 million $4.6 million, $1.2 million is expected to be used by our customers within the next 12 months.

We recognized contract assets of $3.3 million $10.6 million as of September 30, 2023 March 31, 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.

6. 5. Certain Balance Sheet Items

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

	September 30, 2023	December 31, 2022
	March 31, 2024	March 31, 2024	December 31, 2023

Accounts receivable from product sales to partners	Accounts receivable from product sales to partners	$ 50,172	$ 62,979
Accounts receivable from revenues under collaborative agreements	Accounts receivable from revenues under collaborative agreements	17,357	18,776
Accounts receivable from royalty payments	Accounts receivable from royalty payments	113,632	100,900
Accounts receivable from other product sales	Accounts receivable from other product sales	38,758	6,229
Contract assets	Contract assets	3,338	44,102
Contract assets			
Contract assets			
Total accounts receivable and contract assets	Total accounts receivable and contract assets	223,257	232,986
Allowance for distribution fees and discounts	Allowance for distribution fees and discounts	(5,932)	(1,914)
Total accounts receivable, net and contract assets	Total accounts receivable, net and contract assets	$ 217,325	$231,072

Inventories, net consisted of the following (in thousands):

		September 30, 2023	December 31, 2022
		March 31, 2024	March 31, 2024	December 31, 2023
Raw materials	Raw materials	$ 26,930	$ 13,792

Work-in-process	Work-in-process	37,573	40,361
Finished goods	Finished goods	64,418	45,970
Total inventories, net	Total inventories, net	$ 128,921	$100,123

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

		September 30, 2023	December 31, 2022
		March 31, 2024	March 31, 2024	December 31, 2023
Prepaid manufacturing expenses	Prepaid manufacturing expenses	$ 47,527	$51,694
Other prepaid expenses			
Other prepaid expenses			
Other prepaid expenses	Other prepaid expenses	7,258	4,647
Other assets	Other assets	12,808	14,984
Total prepaid expenses and other assets	Total prepaid expenses and other assets	67,593	71,325
Less: Long-term portion	Less: Long-term portion	(18,115)	(26,301)
Total prepaid expenses and other assets, current	Total prepaid expenses and other assets, current	$ 49,478	$45,024

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, 2023	December 31, 2022
		March 31, 2024	March 31, 2024	December 31, 2023
Research equipment	Research equipment	$ 8,353	$ 7,380
Manufacturing equipment	Manufacturing equipment	31,231	27,893
Computer and office equipment	Computer and office equipment	9,117	7,855
Leasehold improvements	Leasehold improvements	6,856	6,729

Subtotal	Subtotal	55,557	49,857
Accumulated depreciation and amortization	Accumulated depreciation and amortization	(18,091)	(14,756)
Subtotal	Subtotal	37,466	35,101
Right of use of assets	Right of use of assets	37,203	40,469
Property and equipment, net	Property and equipment, net	$ 74,669	$75,570

Depreciation and amortization expense was approximately $2.7 million $2.4 million and $2.0 million $2.6 million, inclusive of ROU asset amortization of $1.4 million and $0.7 million $1.4 million for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

Depreciation and amortization expense was approximately $8.2 million and $3.9 million inclusive of ROU asset amortization of $4.2 million and $1.7 million for the nine months ended September 30, 2023 and 2022, respectively.

Accrued expenses consisted of the following (in thousands):

	March 31, 2024		March 31, 2024	December 31, 2023
		September 30, 2023	December 31, 2022	
Accrued compensation and payroll taxes				
Accrued compensation and payroll taxes				
Accrued compensation and payroll taxes	Accrued compensation and payroll taxes	$ 13,995	$19,939	
Accrued outsourced manufacturing expenses	Accrued outsourced manufacturing expenses	13,870	12,190	
Income taxes payable	Income taxes payable	18,029	—	
Product returns and sales allowance	Product returns and sales allowance	36,458	30,261	
Other accrued expenses	Other accrued expenses	8,912	29,771	
Lease liability	Lease liability	32,358	34,788	
Total accrued expenses	Total accrued expenses	123,622	126,949	
Less long-term portion	Less long-term portion	(28,422)	(30,433)	

Total accrued expenses, current	Total accrued expenses, current	$ 95,200	$96,516

Expense associated with the accretion of the lease liabilities was approximately $0.6 million and $0.1 million $0.7 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively and $1.9 million and $0.3 million for the nine months ended September 30, 2023 and 2022, 2023, respectively. Total lease expense for the three months ended September 30, 2023 March 31, 2024 and 2022 2023 was $2.0 million and $0.9 million $2.1 million, respectively and $6.1 million and $2.0 million for the nine months ended September 30, 2023 and 2022, respectively.

Cash paid for amounts related to leases for the three months ended September 30, 2023 March 31, 2024 and 2022 2023 was $1.6 million $1.8 million and $1.1 million $1.7 million, respectively and $5.0 million and $2.7 million for the nine months ended September 30, 2023 and 2022, respectively.

7. 6. Goodwill and Intangible Assets

Goodwill

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

Balance as of December 31, 2022	$ 409,049
Measurement period adjustment (1)	7,772
Balance as of September 30, 2023 December 31, 2023	$ 416,821
Adjustment	—
Balance as of March 31, 2024	$ 416,821

(1) Refer to Note 3, *Business Combination*, for further discussion on the measurement period adjustment.

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, 2023 March 31, 2024 (in thousands).

	Weighted average useful life (in years)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Auto injector technology platform	7	$ 402,000	$ 77,806	$ 324,194
XYOSTED proprietary product	10	136,200	18,453	117,747
Total finite-lived intangibles, net (1)		$ 538,200	$ 96,259	$ 441,941
ATRS-1902 (IPR&D)	Indefinite			48,700
Total intangibles, net				$ 490,641

(1) An impairment charge of $2.5 million was recognized in the three months ended September 30, 2023 resulting in the full impairment of the TLANDO product rights intangible asset. The impairment charge resulted from the notice of termination of the TLANDO license agreement provided to Lipocine in September 2023, effective January 31, 2024, and is included in amortization of intangibles in our condensed consolidated statements of income.

	Weighted Average Useful Life (in years)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Auto Injector technology platform	7	$ 402,000	$ 106,521	$ 295,479
XYOSTED proprietary product	10	136,200	25,263	110,937
Total finite-lived intangibles, net		$ 538,200	$ 131,784	$ 406,416
ATRS-1902 (IPR&D)	Indefinite			48,700
Total intangibles, net				$ 455,116

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	Year	Amortization Expense	Year	Amortization Expense
Remainder of 2023		$ 17,762		
2024		71,049		
Remainder of 2024				
2025	2025	71,049		
2026	2026	71,049		
2027	2027	71,049		
2028				
Thereafter	Thereafter	139,983		
Total	Total	$ 441,941		

8. 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, 2023 March 31, 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, 2023 March 31, 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, 2023 March 31, 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 will 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, will be are effectively junior to any secured indebtedness to the extent of the value of the assets securing such indebtedness and will be 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, 2023 March 31, 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 will be 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, 2023 March 31, 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 purchases' 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 are were presented as a debt discount.

The 2024 Convertible Notes pay interest semi-annually in arrears on June 1st and December 1st of each year, beginning on June 1, 2020, at an annual rate of 1.25%. The 2024 Convertible Notes are general unsecured obligations and will rank senior in right of payment to all indebtedness that is expressly subordinated in right of payment to the 2024 Convertible Notes, will rank equally in right of payment with all existing and future liabilities that are not so subordinated, will be effectively junior to any secured indebtedness to the extent of the value of the assets securing such indebtedness and will be structurally subordinated to all indebtedness and other liabilities (including trade payables) of our current or future subsidiaries. The 2024 Convertible Notes have a maturity date of December 1, 2024.

Holders may convert their 2024 Convertible Notes at their option only in the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on March 31, 2020, 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 2024 Convertible Notes; (4) if we call such notes for redemption; and (5) at any time from, and including, June 1, 2024 until the close of business on the scheduled trading day immediately before the maturity date.

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, if applicable, 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 March 2021, we completed a privately negotiated induced conversion of $369.1 million principal amount of the 2024 Convertible Notes ("2021 Note Repurchases" or the "2021 Induced Conversion"). In connection with the 2021 Induced Conversion, we paid approximately $370.2 million in cash, which includes principal and accrued interest, and issued approximately 9.08 million shares of our common stock representing the intrinsic value based on the contractual conversion rate and incremental shares as an inducement for conversion. As a result of the 2021 Induced Conversion, we recorded $21.0 million in induced conversion expense which was included in other income (expense) of our condensed consolidated statements of income in 2021. The induced conversion expense represented the fair value of the common stock issued upon conversion in excess of the common stock issuable under the original terms of the 2024 Convertible Notes.

In August 2022, we completed a privately negotiated induced conversion of $77.4 million principal amount of the 2024 Convertible Notes ("2022 Note Repurchases" or the "2022 Induced Conversion"). In connection with the 2022 Induced Conversion, we paid approximately $77.6 million in cash, which includes principal and accrued interest, and issued approximately 1.51 million shares of our common stock representing the intrinsic value based on the contractual conversion rate and incremental shares as an inducement for conversion. As a result of the 2022 Induced Conversion, we recorded $2.7 million in induced conversion expense which was included in other income (expense) of our condensed consolidated statements of income in 2022. The induced conversion expense represented the fair value of the common stock issued upon conversion in excess of the common stock issuable under the original terms of the 2024 Convertible Notes.

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 includes 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).

	March 31, 2024	March 31, 2024	December 31, 2023
Principal amount			

	September 30, 2023	December 31, 2022
Principal amount		
2024 Convertible Notes	$ —	$ 13,483
2027 Convertible Notes		
2027 Convertible Notes		
2027 Convertible Notes	805,000	805,000
2028 Convertible Notes	720,000	720,000
Total principal amount	$ 1,525,000	$1,538,483
Unamortized debt discount		
2024 Convertible Notes	$ —	$ (149)
Unamortized debt discount		
Unamortized debt discount		
2027 Convertible Notes		
2027 Convertible Notes		

2027 Convertible Notes	2027 Convertible Notes	(11,805)	(14,359)
2028 Convertible Notes	2028 Convertible Notes	(15,574)	(17,875)
Total unamortized debt discount	Total unamortized debt discount	$ (27,379)	$ (32,383)
Carrying amount	Carrying amount		
2024 Convertible Notes		$ —	$ 13,334
Carrying amount			
Carrying amount			
2027 Convertible Notes			
2027 Convertible Notes			
2027 Convertible Notes	2027 Convertible Notes	793,195	790,641
2028 Convertible Notes	2028 Convertible Notes	704,426	702,125
Total carrying amount	Total carrying amount	$ 1,497,621	$1,506,100
Fair value based on trading levels (Level 2):	Fair value based on trading levels (Level 2):		
2024 Convertible Notes		$ —	$ 32,176
Fair value based on trading levels (Level 2):			
Fair value based on trading levels (Level 2):			
2027 Convertible Notes			
2027 Convertible Notes			
2027 Convertible Notes	2027 Convertible Notes	681,835	784,770
2028 Convertible Notes	2028 Convertible Notes	674,892	849,823
Total fair value of outstanding notes	Total fair value of outstanding notes	$ 1,356,727	$1,666,769

Remaining amortization per period of debt discount (in years):	Remaining amortization per period of debt discount (in years):		
2024 Convertible Notes		—	1.9
Remaining amortization per period of debt discount (in years):			
Remaining amortization per period of debt discount (in years):			
2027 Convertible Notes			
2027 Convertible Notes			
2027 Convertible Notes	2027 Convertible Notes	3.4	4.2
2028 Convertible Notes	2028 Convertible Notes	4.9	5.6

2028 Convertible Notes		4.4	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,	
		2023	2022	2023	2022
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		2024			
		2024			
		2024			
Coupon interest					
Coupon interest					
Coupon interest	Coupon interest				
2024 Convertible Notes	2024 Convertible Notes	$ —	$ 161	$ 36	$ 729
2024 Convertible Notes					
2024 Convertible Notes					
2027 Convertible Notes					
2027 Convertible Notes					
2027 Convertible Notes	2027 Convertible Notes	503	503	1,509	1,509
2028 Convertible Notes	2028 Convertible Notes	1,800	860	5,400	860
2028 Convertible Notes					
2028 Convertible Notes					
Total coupon interest					

Total coupon interest					
Total coupon interest	Total coupon interest	$ 2,303	$ 1,524	$ 6,945	$ 3,098
Amortization of debt discount	Amortization of debt discount				
Amortization of debt discount					
Amortization of debt discount					
2024 Convertible Notes					
2024 Convertible Notes					
2024 Convertible Notes	2024 Convertible Notes	$ —	$ 84	$ 24	$ 338
2027 Convertible Notes	2027 Convertible Notes	853	847	2,555	2,537
2027 Convertible Notes					
2027 Convertible Notes					
2028 Convertible Notes	2028 Convertible Notes	770	363	2,301	363
2028 Convertible Notes					
2028 Convertible Notes					
Total amortization of debt discount					
Total amortization of debt discount					
Total amortization of debt discount	Total amortization of debt discount	$ 1,623	$ 1,294	$ 4,880	$ 3,238
Interest expense	Interest expense				
Interest expense					
Interest expense					
2024 Convertible Notes					
2024 Convertible Notes					
2024 Convertible Notes	2024 Convertible Notes	$ —	$ 245	$ 60	$ 1,067
2027 Convertible Notes	2027 Convertible Notes	1,356	1,350	4,064	4,046
2027 Convertible Notes					
2027 Convertible Notes					
2028 Convertible Notes	2028 Convertible Notes	2,570	1,223	7,701	1,223
2028 Convertible Notes					
2028 Convertible Notes					
Total interest expense					
Total interest expense					
Total interest expense	Total interest expense	$ 3,926	$ 2,818	$ 11,825	$ 6,336
Effective interest rates	Effective interest rates				
2024 Convertible Notes		—	1.8 %	—	1.8 %

Effective interest rates									
Effective interest rates									
2027 Convertible Notes									
2027 Convertible Notes									
2027 Convertible Notes	2027 Convertible Notes	0.7	%	0.7	%	0.7	%	0.7	%
2028 Convertible Notes	2028 Convertible Notes	1.5	%	1.5	%	1.5	%	1.5	%
2028 Convertible Notes									
2028 Convertible Notes									

Revolving Credit and Term Loan Facilities (May 2022)

In May 2022, in connection with the closing of the Antares acquisition, 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 $350 $575 million revolving credit facility (the "Revolving Credit Facility") and (ii) a $250 million term loan facility (the "Term Facility"). Proceeds from a $120 million draw on 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 and the $250 million Term Facility were used to fund a portion of the Antares acquisition, repay Antares' existing debt and pay fees and expenses in connection with the Antares acquisition. The 2022 Credit Agreement contains an expansion feature, which allows us, subject to certain conditions, to increase the aggregate principal amount of the 2022 Facility, provided we remain in compliance with underlying financial covenants on a pro forma basis including the consolidated interest coverage ratio and the consolidated net leverage ratio covenants set forth in 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.

In August 2022, we entered into Amendment No. 1 to the Credit Agreement (the "Amendment") among the Company, the Guarantors (as defined in the Credit Agreement), each L/C Issuer from time to time party thereto, Bank of America, N.A., as Administrative Agent (in such capacity, the "Administrative Agent") and swing line lender (in such capacity, the "Swing Line Lender"), and each lender party thereto, which amends the Credit Agreement dated as of May 24, 2022 (the "Credit Agreement") among the Company, the Guarantors, the Administrative Agent, the Swing Line Lender, each Lender and the L/C Issuers. The Amendment, among other things, increased the size of the revolving credit facility from $350 million to $575 million. The terms of the Revolving Credit Facility were otherwise unchanged. 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.

As of September 30, 2023 March 31, 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, 2023 March 31, 2024, the unamortized debt issuance cost related to the revolving credit facility was $2.5 million $2.1 million.

9. 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 March 31,							
	Three Months Ended March 31,							
	Three Months Ended March 31,							

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Research and development	Research and development	$ 3,159	$ 2,695	$ 9,931	$ 7,168
Research and development					
Research and development					
Selling, general and administrative					
Selling, general and administrative					
Selling, general and administrative	Selling, general and administrative	6,208	4,102	17,025	10,006
Total share-based compensation expense	Total share-based compensation expense	$ 9,367	$ 6,797	$ 26,956	$ 17,174
Total share-based compensation expense					
Total share-based compensation expense					

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

		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Stock options	Stock options	$ 4,290	$ 2,801	$ 11,935	$ 7,924
Stock options					
Stock options					
RSUs, PSUs and ESPP					
RSUs, PSUs and ESPP					
RSUs, PSUs and ESPP	RSUs, PSUs and ESPP	5,077	3,996	15,021	9,250
Total share-based compensation expense	Total share-based compensation expense	$ 9,367	$ 6,797	$ 26,956	$ 17,174
Total share-based compensation expense					
Total share-based compensation expense					

We granted stock options to purchase approximately 0.2 million 0.5 million and 0.1 million 1.2 million shares of common stock during the three months ended September 30, 2023 March 31, 2024 and 2022, respectively and 1.8 million and 1.6 million shares of common stock during the nine months ended September 30, 2023 and 2022, 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" 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 Model were as follows:

	Three Months Ended March 31,

		Three Months Ended March 31,		Three Months Ended March 31,	
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Expected volatility	Expected volatility	40.70 - 40.82%	40.37 - 50.80%	39.68-40.82%	40.37-50.80%
Expected volatility					
Expected volatility					
Average expected term (in years)					
Average expected term (in years)					
Average expected term (in years)	Average expected term (in years)	4.9	4.7	4.8	4.7
Risk-free interest rate	Risk-free interest rate	4.19 - 4.29%	2.66 - 3.39%	3.37-4.29%	1.37-3.39%
Risk-free interest rate					
Risk-free interest rate					
Expected dividend yield	Expected dividend yield	—	—	—	—
Expected dividend yield					
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, 2023March 31, 2024, 2,630,3462,604,222 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, 2023, 19,757 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, 2023					March 31, 2024		
		March 31, 2024							
		Unrecognized Expense	Remaining Weighted-Average Recognition Period (years)		Unrecognized Expense		Remaining Weighted-Average Recognition Period (in years)		
Stock options	Stock options	$ 41,893	2.75	Stock options	$	42,038	2.70		2.70
RSUs	RSUs	36,721	2.51						
RSUs									
RSUs						56,513		3.05	
PSUs	PSUs	7,153	1.68	PSUs		11,543	2.30		2.30
ESPP	ESPP	110	0.21	ESPP		118	0.21		0.21

10. 9. Stockholders' Equity

During the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, we issued an aggregate of 455,702 154,556 and 483,385 143,931 shares of common stock, respectively, in connection with the exercises of stock options at a weighted average exercise price of $18.10 $17.47 and $18.45 $16.87 per share, respectively, for net proceeds of approximately $8.2 million $2.7 million and $8.9 million $2.4 million, respectively. For the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, we issued 328,115 262,195 and 252,063 239,919 shares of common stock, respectively, upon vesting of certain RSUs and PSUs for which 70,733 and 68,425 RSUs were withheld from the RSU and PSU holders surrendered 88,825 and 70,733 RSUs and PSUs, respectively, to pay for minimum withholding taxes totaling approximately $7.2 million $6.0 million and $4.3 million $6.5 million, respectively. Stock options and unvested restricted units totaling approximately 7.7 million 8.7 million and 6.6 million 7.8 million shares of our common stock were outstanding as of September 30, 2023 March 31, 2024 and December 31, 2022 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. During 2021, we repurchased 3.9 million shares of common stock for $150.0 million at an average price of $38.51. During 2022, we repurchased 4.5 million shares of common stock for $200.0 million at an average price of $44.44.

We accelerated the initiation of our planned 2024 share repurchases and in November 2023, we entered into an Accelerated Share Repurchase ("ASR") agreement with Bank of America, N.A. to accelerate the remaining $250.0 million of share repurchases under the approved capital return program. Pursuant to the agreement, at the inception of the ASR, we paid $250.0 million to Bank of America, N.A. and took initial delivery of 5.5 million shares. All shares repurchased under our capital return programs have been retired and have resumed their status of authorized and unissued shares. We continued to execute share repurchases during the three months ended March 31, 2024 under our ASR agreement with Bank of America, N.A.

As of September 30, 2023 March 31, 2024, excluding the shares we received under the ASR, we have repurchased a total of 12.6 million shares for $500.0 million at an average price per share of $39.81 under our $750 million 3-year share repurchase plan. As

In February 2024, our Board of September 30, 2023, $250.0 Directors authorized a new capital return program to repurchase up to $750.0 million of our outstanding stock is available to be purchased under the program.

We had the following activity under the approved share repurchase programs (dollars in thousands, except share and per share data):

	2023		
	Total Number of Shares Purchased	Weighted Average Price Paid Per Share	Total Cost(1)
First quarter	4,165,258	$ 36.01	$ 150,083
Second quarter	—	—	—
Third quarter	—	—	—
	4,165,258	$ 36.01	$ 150,083

(1) Included in the total cost of shares purchased is a commission fee of $0.02 per share.common stock.

11. 10. Earnings per share

Basic earnings per common 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 our 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 common share computations is as follows (in thousands, except per share amounts):

Three Months Ended March 31,	Three Months Ended March 31,	Three Months Ended March 31,
Three Months Ended September 30,		Nine Months Ended September 30,

		2023	2022	2023	2022
Numerator	Numerator				
Numerator					
Numerator					
Net income					
Net income					
Net income	Net income	$ 81,837	$ 61,634	$ 196,206	$ 144,427
Denominator	Denominator				
Denominator					
Denominator					
Weighted average common shares outstanding for basic earnings per share					
Weighted average common shares outstanding for basic earnings per share					
Weighted average common shares outstanding for basic earnings per share	Weighted average common shares outstanding for basic earnings per share	131,965	136,527	132,896	137,370
Dilutive potential common stock outstanding	Dilutive potential common stock outstanding				
Dilutive potential common stock outstanding					
Dilutive potential common stock outstanding					
Stock options					
Stock options					
Stock options	Stock options	1,830	2,237	1,882	2,211
RSUs, PSUs and ESPP	RSUs, PSUs and ESPP	288	363	378	362
RSUs, PSUs and ESPP					
RSUs, PSUs and ESPP					
Convertible Notes					
Convertible Notes					
Convertible Notes	Convertible Notes	—	260	77	1,076
Weighted average common shares outstanding for diluted earnings per share	Weighted average common shares outstanding for diluted earnings per share	134,083	139,387	135,233	141,019
Weighted average common shares outstanding for diluted earnings per share					
Weighted average common shares outstanding for diluted earnings per share					
Earnings per share					
Earnings per share					

Earnings per share	Earnings per share						
Basic	Basic	$	0.62	$	0.45	$	1.48	$	1.05
Basic							
Basic							
Diluted	Diluted	$	0.61	$	0.44	$	1.45	$	1.02
Diluted							
Diluted							

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,	
	2023	2022	2023	2022
Anti-dilutive securities (1)	27.4	25.6	27.6	19.0

	Three Months Ended March 31,	
	2024	2023
Anti-dilutive securities (1)	28.2	26.2

(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.

12. 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 report, 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' 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 interim unaudited 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, 2022 December 31, 2023, included in our Annual Report on Form 10-K for the year ended December 31, 2022 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 report Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. 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 report. 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 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 the potential impact of the COVID-19 global pandemic on our business and 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, those set forth 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. 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. Report on Form 10-Q.

Overview

Halozyme Therapeutics, Inc. is a biopharma technology platform biopharmaceutical company that provides innovative and advancing disruptive solutions with the goal of improving the to improve patient experience experiences and potentially outcomes. outcomes for emerging and established therapies.

Our 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. fluids, with the goal of reducing the treatment burden for patients. We license our technology to biopharmaceutical companies to collaboratively develop products that combine our ENHANZE® drug delivery technology ("ENHANZE") with the 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. 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 the our ENHANZE technology to form collaborations with biopharmaceutical companies that develop 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"), Alexion Pharma International Operations Unlimited Company (an indirect wholly owned subsidiary of AstraZeneca PLC) ("Alexion"), argenx BVBA ("argenx"), Horizon Therapeutics plc. (a wholly owned subsidiary of Amgen Inc.) ("Horizon"), ViiV Healthcare (the global specialist HIV Company majority owned by GlaxoSmithKline) ("ViiV"), Chugai Pharmaceutical Co., Ltd 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 four the sales of these collaborations, seven commercial products including royalties from sales of one commercial product from each of the Takeda, collaboration, Janssen and argenx collaborations and four commercial products from the Roche collaboration, one product from the Janssen collaboration and one product from the argenx collaboration.

We have commercialized auto-injector products with several pharmaceutical companies including 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 products product XYOSTED®, utilizing our auto-injector technology, and TLANDO technology.®, an oral formulation of testosterone.

Our third first quarter of 2023 2024 and recent key events are as follows:

Partners

- In November, we May 2024, BMS announced that the U.S. Food and Acumen entered into Drug Administration ("FDA") accepted its Biologics License Application ("BLA") for the subcutaneous formulation of Opdivo (nivolumab) co-formulated with ENHANZE, resulting in a global collaboration and non-exclusive license agreement that provides Acumen access to ENHANZE technology for $15.0 million milestone payment. The FDA assigned a single target. Acumen intends to explore the potential use Prescription Drug User Fee Act ("PDUFA") goal date of ENHANZE for ACU193, Acumen's clinical stage monoclonal antibody candidate to target Amyloid-β Oligomers for treatment of early Alzheimer's disease. February 28, 2025.
- In October 2023, BMS reported positive topline results 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 pharmacokinetics ("PK") endpoints and a key secondary endpoint.
- In September 2023, Chugai, a member of the April 2024, Roche Group, announced that it had obtained regulatory approval for Phesgo® from the Ministry of Health, Labour and Welfare (MHLW) in Japan. We are entitled to receive royalties for Phesgo® sales in Japan under our agreement with Roche.
- In September 2023, argenx announced the European Medicines Agency's Committee for Medicinal Products for Human Use ("CHMP") of the European Medicines Agency ("EMA") has recommended the approval of Ocrevus (ocrelizumab) SC for its multiple sclerosis ("MS") indications. A final decision on its approval from the European Commission ("EC") is expected mid-2024.
- In April 2024, Roche announced that the FDA has accepted the submission of orcelizumab SC with potential approval in September 2024.
- In April 2024, Roche's Mabthera SC was approved by the China National Medical Products Administration ("NMPA") to treat diffuse large B-cell lymphoma ("DLBCL").
- In March 2024, ViiV initiated a Phase 1 study of VH4524184 with ENHANZE to evaluate the safety, tolerability, and pharmacokinetics in healthy adults.
- In the first quarter of 2024, argenx initiated two registrational studies evaluating efgartigimod with ENHANZE administered by pre-filled syringe in subjects with thyroid eye disease ("TED").
- In February 2024, argenx announced that the FDA had accepted for priority review a supplemental Biologics License Application ("sBLA") for VYVGART Hytrulo (efgartigimod alfa and hyaluronidase-qvfc) for the treatment of chronic inflammatory demyelinating polyneuropathy ("CIDP"). The application has been granted a PDUFA action date of June 21, 2024.
- In February 2024, Takeda submitted a New Drug Application ("NDA") in Japan seeking approval for TAK-771, subcutaneous 10% human immunoglobulin with ENHANZE, for treatment of primary immunodeficiency.
- In January 2024, Janssen announced submission of a sBLA to the FDA seeking approval of a new indication for DARZALEX FASPRO in combination with bortezomib, lenalidomide and dexamethasone ("D-VRd") for induction and consolidation treatment and with lenalidomide ("D-R") for maintenance treatment of adult patients who are newly diagnosed with multiple myeloma ("NDMM") and are eligible for autologous stem cell transplant ("ASCT").
- In January 2024, Roche received EC marketing authorization for Tecentriq SC for all approved indications of Tecentriq IV for multiple cancer types.
- In January 2024, Takeda received FDA and EC approval for HYQVIA for the SC injectable formulation treatment of efgartigimod as an add on to standard therapy CIDP.
- In January 2024, argenx received regulatory approval in Japan for VYVDURA (efgartigimod alfa and hyaluronidase-qvfc) co-formulated with ENHANZE for the treatment of adult patients with generalized myasthenia gravis ("gMG") who are anti-acetylcholine receptor ("AChR") antibody positive. The EC is expected including options for self-administration, and in April 2024, VYVDURA was made available to make a decision on the argenx marketing authorization application within approximately 67 days following the CHMP recommendation.
- In September 2023, Zai Lab limited (argenx commercial partner for China) announced the Center for Drug Evaluation ("CDE") of the National Medical Products Administration ("NMPA") granted Breakthrough Therapy Designation for efgartigimod alfa injection (SC injection) (efgartigimod SC) for the treatment of patients with chronic inflammatory demyelinating polyneuropathy ("CIDP"). The Breakthrough Therapy Designation for efgartigimod SC was supported by data from both global and Chinese patients enrolled in the ADHERE study.
- In September 2023, Roche informed us that there will be a delay in the projected launch timing for Tecentriq® SC in the U.S. as a result of Roche's need to update chemistry, manufacturing, and controls ("CMC") processes for Tecentriq® SC. Roche expects these updates to be completed in 2023 to support a potential launch of Tecentriq® SC in the U.S. in 2024. There is no expected impact on ex-U.S. filings for Tecentriq® SC.
- In August 2023, Roche announced the approval of Tecentriq® SC with ENHANZE by the Medicines and Healthcare products Regulatory Agency ("MHRA") in Great Britain, triggering an $8.0 million milestone payment to us and the right to receive royalties on net product sales. Roche also expects an opinion from CHMP in the fourth quarter 2023. Tecentriq® SC enables SC delivery in approximately seven minutes, compared with 30-60 minutes for IV infusion.

- In August 2023, ViiV initiated a Phase 2b study to evaluate the efficacy, safety, PK and tolerability of VH3810109 (N6LS) administered subcutaneously with ENHANZE in combination with cabotegravir.
- In August 2023, ViiV achieved a development milestone which triggered a $5 million milestone payment to us.

- In July 2023, argenx reported positive data from the ADHERE study evaluating VYVGART® Hytrulo with ENHANZE in adults with CIDP. The study met its primary endpoint resulting in a 61% reduction $14.0 million in risk of relapse compared to placebo. total milestone payments.
- In July 2023, Roche announced that the Phase III OCARINA II trial evaluating OCREVUS® (ocrelizumab) with ENHANZE as a twice a year 10-minute SC injection met its primary and secondary endpoints in patients with relapsing forms of multiple sclerosis ("MS") or primary progressive MS ("RMS" or "PPMS").

Corporate

- In August 2023, we announced positive results February 2024, our Board of a clinical study with Directors authorized our high-volume auto-injector demonstrating SC administration third capital return program to repurchase up to $750.0 million of 10 mL of a representative biologic product co-formulated with our ENHANZE® drug delivery technology in approximately 30 seconds. The results were presented at the 13th annual Partnership Opportunities in Drug Delivery ("PODD") conference in October 2023. outstanding common stock.

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:

Slide 1.jpg

slide 2.jpg

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. Safety and efficacy of XYOSTED in males less than 18 years old have not been established.

TLANDO (testosterone undecanoate) Oral Formulation

We market and sell TLANDO under the terms of our license agreement with Lipocine, Inc. ("Lipocine"). TLANDO is a twice daily oral formulation of testosterone indicated for testosterone replacement therapy in adult males for conditions associated with a deficiency or absence of endogenous testosterone (primary or hypogonadotropic hypogonadism). We have provided Lipocine notice of termination of the TLANDO license agreement effective January 31, 2024. Upon termination of the license agreement, all rights and licenses in TLANDO granted to us will terminate.

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 IND 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 PK 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. In September 2018, we announced that Roche Herceptin SC has since received approval from Health in Canada, for Herceptin SC. In February 2019, we announced that Roche received approval from the FDA for Herceptin SC under U.S. (under the brand name Herceptin Hylecta™. In October 2022, Roche Pharmaceuticals China announced the approval of Herceptin in) and China.

In June 2020, the FDA approved the fixed-dose combination of Perjeta® (pertuzumab) and Herceptin for SC injection (Phesgo™ (Phesgo®) utilizing ENHANZE technology for the treatment of patients with HER2-positive breast cancer. In December 2020, the European Commission ("EC") also approved Phesgo. In July 2022, Roche submitted the Initial Marketing Application ("IMA") for the fixed-dose combination of Perjeta(pertuzumab) Phesgo has since received approval in Europe and Herceptin for SC injection (Phesgo) to the CDE in China. In September 2022, 2023, Chugai Pharmaceutical Co., Ltd. (a Member of the Roche Group) announced the submission of a NDA in Japan for the fixed-dose SC combination of pertuzumab and trastuzumab (same monoclonal antibodies as in Perjeta and Herceptin) with ENHANZE. This application is based on data from two clinical studies including the results from the global Phase 3 FeDeriCa study in patients with HER2-positive breast cancer. In September 2023, Chugai Pharmaceuticals announced that it had obtained regulatory approval for Phesgo from the MHLW Ministry of Health, Labour and Welfare ("MHLW") in Japan. We will receive royalties for Phesgo sales in Japan as part of its 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 approximately approximate 1.5 to 4 hour IV infusion. In May 2016, Roche announced that the European Medicines Agency ("EMA") approved Mabthera MabThera SC to treat patients with chronic lymphocytic leukemia ("CLL"). In June 2017, the FDA approved 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. 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 November 2022, Roche submitted the IMA for April 2024, Roche's Mabthera SC was approved by the China NMPA to CDE in China. treat DLBCL.

In September 2017 and October 2018, we entered into agreements with Roche to develop and commercialize additional exclusive target 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 December 2018, Roche initiated a Phase 1b/2 study in patients with non-small cell lung cancer ("NSCLC") for TECENTRIQ® (atezolizumab) using ENHANZE technology, followed by initiation of a Phase 3 study in December 2020. In August 2022, Roche announced that the Phase 3 study met its co-primary endpoints showing non-inferior levels of Tecentriq in the blood (pharmacokinetics), PK, when injected subcutaneously, compared with IV infusion, in cancer immunotherapy-naïve patients with advanced or metastatic NSCLC for whom prior platinum therapy has failed. The safety profile of the SC formulation was consistent with that of IV Tecentriq. In November 2022, Roche submitted BLA to the FDA and a Marketing Authorization Application ("MAA") to the EMA for the SC formulation of Tecentriq with ENHANZE across all approved indications of IV Tecentriq. In January 2023, the FDA accepted the BLA with the official PDUFA goal date of September 15, 2023. In August 2023, Roche announced the approval of Tecentriq® SC with ENHANZE by the MHRA Medicines and Healthcare products Regulatory Agency ("MHRA") in Great Britain. In January 2024, Roche also expects an opinion from CHMP received EC marketing authorization for Tecentriq SC for all approved indications of Tecentriq IV. Roche is expecting Tecentriq SC approval in the fourth quarter 2023. U.S. in September 2024 and is planning to launch soon after. Tecentriq® SC enables subcutaneous SC delivery in approximately seven minutes, compared with 30-60 minutes for IV infusion. In September 2023, Roche informed us that there will be a delay in the projected launch timing for Tecentriq® SC in the U.S. as a result of Roche's need to update CMC processes for Tecentriq® SC. Roche expects these updates to be completed in 2023 and are expected to support a potential launch of Tecentriq® SC in the U.S. in 2024. There is no expected impact on ex-U.S. filings for Tecentriq® SC.

In August 2019, Roche initiated a Phase 1 study evaluating OCREVUS® (ocrelizumab) ocrelizumab SC with ENHANZE technology in subjects with multiple sclerosis, MS, followed by initiation of a Phase 3 study in April 2022. In July 2023, Roche announced that the Phase III 3 OCARINA II 2 trial evaluating OCREVUS® (ocrelizumab) ocrelizumab SC with ENHANZE as a twice a year 10-minute SC injection met its primary and secondary endpoints in patients with relapsing forms of MS or RMS primary progressive MS ("RMS" or PPMS."PPMS"). In April 2024, Roche announced the EMA and FDA have both accepted the submissions for ocrelizumab SC with ENHANZE, with approval anticipated mid-2024 in the EMA and in September 2024 for the FDA.

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 European Union ("EU") 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 that 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 chronic inflammatory demyelinating polyneuropathy ("CIDP"). 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 July 2022, January 2024, Takeda filed a sBLA received FDA and EC approval for HYQVIA for the potential expanded use treatment of HYQVIA for pediatric indication for primary immunodeficiency. CIDP.

In April 2023, Takeda announced that the FDA approved 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.

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 has elected five targets and has returned two targets.

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 newly diagnosed multiple myeloma 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 in Japan) 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 January 2024, Janssen announced submission of a sBLA to the FDA seeking approval of a new indication for DARZALEX FASPRO in combination with D-VRd for induction and consolidation treatment and with D-R for maintenance treatment of adult patients who are NDMM and are eligible for ASCT.

In December 2019, Janssen elected EGFR epidermal growth factor receptor (“EGFR”) and cMET 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 epidermal growth factor receptor (“EGFR”)-mutated 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 epidermal growth factor receptor (“EGFR”)-mutated EGFR-mutated non-small cell lung cancer (PALOMA-2). In January 2024, Janssen noted its intention to submit applications in the U.S. and EU seeking approval of a SC formulation for amivantamab SC during 2024.

In July 2021, Janssen elected the target HIV human immunodeficiency virus (“HIV”) reverse transcriptase limited to non-nucleoside reverse transcriptase inhibitors. In December 2021, Janssen initiated a Phase 1 clinical trial combining rilpivirine and ENHANZE. In 2023, Janssen and ViiV are exploring discontinued the possibility of an ultra-long acting version of CABENUVA using ENHANZE.rilpivirine program with ENHANZE.

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. Lilly has elected two targets on an exclusive basis and one target on a semi-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 3 three additional targets by November 2024. 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 topline top-line data from the Phase 3 CheckMate-67T trial evaluating a SC formulation of Opdivo (nivolumab) with ENHANZE in patients with ccRCC 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 June 2022, BMS nominated a new undisclosed target. 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 than to IV administration in participants with previously untreated metastatic or unresectable melanoma (RELATIVITY-127).

Alexion Collaboration

In December 2017, we and Alexion entered into a collaboration and license agreement, under which Alexion has the worldwide license to develop and commercialize products combining our rHuPH20 enzyme with Alexion’s portfolio of products directed at up to four exclusive targets.

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 Multifocal Motor Neuropathy (“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 July 2019, argenx dosed the first subject in a phase 1 clinical trial evaluating the safety, PKs and pharmacodynamics of ARGX-113, using ENHANZE technology. In December 2020, argenx initiated a Phase 3 study of ARGX-113 using ENHANZE technology for patients with immune thrombocytopenia ("ITP"), an immune disorder in which the blood does not clot normally. In January 2021, argenx initiated a Phase 3 study of ARGX-113 using ENHANZE technology in pemphigus vulgaris and foliaceus ("PV"), a rare autoimmune disease that causes painful blisters on the skin and mucous membranes. In February 2021, argenx initiated a Phase 3 study of ARGX-113 using ENHANZE technology for patients with chronic inflammatory demyelinating polyneuropathy ("CIDP") and a Phase 3 study of ARGX-113 using ENHANZE technology in myasthenia gravis ("MG"), an autoimmune disorder of the musculoskeletal system caused by IgG autoantibodies. In December 2021, argenx announced the FDA approval of efgartigimod (VYVGARTTM) (VYVGART™) for the treatment of generalized myasthenia gravis ("gMG") gMG for the IV dosing regimen. In March 2022, argenx announced that data from argenx's phase 3 ADAPT-SC study evaluating SC efgartigimod utilizing ENHANZE (1000mg efgartigimod-PH20) for the treatment of gMG achieved the primary endpoint of total IgG reduction from baseline at day 29, demonstrating statistical non-inferiority to VYVGART (efgartigimod alfa-fcab) IV

formulation in gMG patients.

In September 2023, argenx announced that the CHMP of the EMA has recommended EC approval of the SC injectable formulation of efgartigimod as an add on to standard therapy for the treatment of adult patients with gMG who are AChR antibody positive The EC is expected to make a decision on the argenx marketing authorization application within approximately 67 days following the CHMP recommendation. In June 2022, argenx initiated a study, BALLAD, evaluating Efgartigimod with ENHANZE in bullous pemphigoid. In September 2022, argenx announced the submission of BLA to the FDA for SC efgartigimod for the treatment of adults with gMG, and in June 2023, argenx received FDA approval under the brand name VYVGART® Hytrulo for the injection with ENHANZE for SC use for the of treatment of gMG in adult patients who are are AChR anti-acetylcholine receptor ("AChR") antibody positive and in July positive. In November 2023, argenx received EC approval of VYVGART® Hytrulo was made available to patients. Argenx has also submitted a marketing authorization application to the European Medicines Agency for SC efgartigimod for the treatment of adults 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 with an anticipated including options for self-administration. argenx also expects the regulatory decision on approval decision of VYVGART SC for gMG in China through Zai Lab by the fourth quarter end of 2023. 2024.

In July 2023, argenx reported positive data from the ADHERE study evaluating VYVGART® Hytrulo with ENHANZE in adults with CIDP. In February 2024, argenx is currently conducting announced that the FDA had accepted for priority review a Phase 2 study sBLA for VYVGART Hytrulo for the treatment of ARGX-113 (ALKIVIA) using ENHANZE technology for patients with active idiopathic inflammatory myopathy (Myositis) CIDP. The application has been granted a PDUFA action date of June 21, 2024. argenx intends also expects to initiate a registrational trial of ARGX-113 using ENHANZE technology submit VYVGART SC for patients with thyroid eye disease CIDP for regulatory approval in Japan, Europe, China and Canada in 2024. In September 2023, Zai Lab limited (argenx commercial partner for China) announced the CDE of the NMPA National Medical Products Administration ("NMPA") granted Breakthrough Therapy Designation for efgartigimod alfa injection (SC injection) (efgartigimod SC) SC for the treatment of patients with CIDP. The Breakthrough Therapy Designation

argenx is currently conducting the following studies with the goal of expanding approved indications for efgartigimod SC was supported by data from both global with ENHANZE: Phase 2/3 (ALKIVIA) study in active idiopathic inflammatory myopathy (Myositis) and Chinese patients enrolled two registrational studies in TED. Evaluation is ongoing to determine the ADHERE study. path forward in BALLAD study evaluating efgartigimod in bullous pemphigoid (BP) with an update expected in 2024.

Horizon Collaboration

In November 2020, we and Horizon entered into a global collaboration and license agreement that gives Horizon exclusive access to ENHANZE technology for SC formulation of medicines targeting IGF-1R. Horizon intends to use ENHANZE to develop a SC formulation of TEPEZZA® (teprotumumab-trbw), indicated for the treatment of thyroid eye disease, a serious, progressive and vision-threatening rare autoimmune disease, potentially shortening drug administration time, reducing healthcare practitioner time and offering additional flexibility and convenience for patients. In March 2021, Horizon completed dosing in a Phase 1 study exploring the SC formulation of TEPEZZA®. The trial was a small, single-dose Phase 1 PK trial which included evaluation of ENHANZE technology for a SC formulation. In March 2022, Horizon announced the completion of a Phase 1 trial for the TEPEZZA® SC program.

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 December 2021, ViiV initiated enrollment of a Phase 1 study to evaluate cabotegravir administered subcutaneously with ENHANZE. In March 2024, ViiV presented the results of the Phase 1 study of cabotegravir and communicated their decision to no longer pursue cabotegravir 200mg/ml SC plus rHuPH20 for long term dosing. 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.

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 targeted antibody administered subcutaneously with ENHANZE.

Acumen Collaboratio Collaborationn

In November 2023, we and Acumen entered into a global collaboration and non-exclusive license agreement that provides Acumen access to ENHANZE technology 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 March 2024, Acumen announced plans to initiate a Phase 2 IV study for ACU193 in the first half of 2024 and a Phase 1 SC study for ACU193 in mid-2024.

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 2012, we entered into a license, supply and distribution agreement with 2023, Teva for an announced FDA approval of the generic version of Forteo, featuring our multi-dose auto-injector product containing sumatriptan pen platform for the treatment of migraines. 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 April 2023, Idorsia disclosed that March 2024, the recruitment of their the Phase 3 study with selatogrel for acute myocardial infarction had reached more than 4,500 approximately 6,000 patients.

Lipocine Agreement

In October 2021, we entered into an exclusive license agreement with Lipocine for the product TLANDO (testosterone undecanoate) in the U.S. We have provided Lipocine notice of termination of the TLANDO license agreement effective January 31, 2024. Upon termination of the license agreement, all rights and licenses in TLANDO granted to us will terminate.

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, 2023 March 31, 2024 Compared to Three Months Ended September 30, 2022 March 31, 2023

Royalties – Royalties were as follows (in thousands):

	Three Months Ended September 30,		
	2023	2022	Change
Royalties	$ 114,433	$ 99,551	$ 14,882

	Three Months Ended March 31,		Increase / (Decrease)	
	2024	2023	Dollar	Percentage
Royalties	$ 120,593	$ 99,640	$ 20,953	21 %

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 launch of Vyvgart by argenx, partially offset by slightly lower sales of Herceptin SC and MabThera SC by Roche. We expect royalty revenue to continue to grow as a result of our 2020 and 2023 ENHANZE partner product launches, offsetting the ongoing impact from IV biosimilars related to our on pricing of mature partner products delivered SC with ENHANZE partner products. and the impact of a royalty rate reduction in March of 2024 for certain sales of DARZALEX SC outside of the U.S.

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

	Three Months Ended September 30,		
	2023	2022	Change
Sales of proprietary products	$ 31,511	$ 24,180	$ 7,331
Sales of bulk rHuPH20	37,001	19,259	17,742
Sales of device partnered product	18,057	17,988	69
Total product sales, net	$ 86,569	$ 61,427	$ 25,142

	Three Months Ended March 31,		Increase / (Decrease)	
	2024	2023	Dollar	Percentage
Proprietary product sales	$ 35,254	$ 27,961	$ 7,293	26 %
Bulk rHuPH20 sales	10,511	22,069	(11,558)	(52)%
Device partnered product sales	12,818	10,764	2,054	19 %
Total product sales, net	$ 58,583	$ 60,794	$ (2,211)	(4)%

The increase decrease in product sales, net was primarily due to lower sales of bulk rHuPH20 driven due to the timing of shipment to our partners, partially offset by partner demand contributions from our proprietary and continued growth in XYOSTED sales. device partnered products. We expect sales of our proprietary products will 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 will 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,		
	2023	2022	Change
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:			
BMS	$ —	$ 25,000	$ (25,000)
Roche	8,000	19,000	(11,000)
ViiV	5,000	—	5,000
Subtotal	13,000	44,000	(31,000)
Device licensing and development revenue	2,031	3,998	(1,967)
Total revenues under collaborative agreements	$ 15,031	$ 47,998	$ (32,967)

The decrease in revenue from license fees was primarily due to the timing of milestones driven by partner activities. 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,		
	2023	2022	Change
Cost of sales	$ 54,823	$ 47,319	$ 7,504
Amortization of intangibles	20,341	27,193	(6,852)
Research and development	17,321	16,705	616
Selling, general and administrative	35,269	34,467	802

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 increase in cost of sales was primarily due to an increase in sales in our proprietary products and bulk rHuPH20.

Amortization of intangibles –The decrease in amortization of intangibles expense was due to a remeasurement adjustment of our acquired intangible assets recorded in the fourth quarter of 2022, partially offset by an impairment charge of $2.5 million to fully impair the TLANDO product rights intangible asset as a result of the license agreement termination notice provided to Lipocine in September 2023.

*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 increase in research and development expense was primarily due to an increase in 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 an increase in compensation expense.

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

	Three Months Ended September 30,		
	2023	2022	Change
Investment and other income, net	$ 4,786	$ 641	$ 4,145

Investment and other income (expense), 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 a significant increase in market interest rates as well as an increase in the average invested balance.

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

	Three Months Ended September 30,		
	2023	2022	Change
Interest expense	$ 4,505	$ 7,514	$ (3,009)

The decrease in interest expense was primarily due to the repayment of our 2022 Term Facility and outstanding Revolving Credit Facility during the third quarter of 2022 and the decrease in interest expense related to our 2024 Convertible Notes which were converted in the first quarter of 2023, partially offset by an increase in interest expense related to our 2028 Convertible Notes.

Income Taxes – Income taxes were as follows (in thousands):

	Three Months Ended September 30,		
	2023	2022	Change
Income tax expense	$ 19,923	$ 12,073	$ 7,850

	Three Months Ended March 31,		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:				
Event-based development milestones and regulatory milestones and other fees	$ 14,000	$ —	$ 14,000	100 %
Device licensing and development revenue	2,703	1,709	994	58 %
Total revenues under collaborative agreements	$ 16,703	$ 1,709	$ 14,994	877 %

The increase in income tax expense was primarily due to higher income before taxes recognized during the current quarter. Our annual effective tax rate is estimated to be approximately 20% for 2023, which differs from the U.S. federal statutory rate due to state income taxes, nondeductible executive compensation, and the reduced rate on foreign export sales.

Results of Operations

Nine Months Ended September 30, 2023 Compared to Nine Months Ended September 30, 2022

Royalties – Royalties were as follows (in thousands):

	Nine Months Ended September 30,		
	2023	2022	Change
Royalties	$ 325,813	$ 254,496	$ 71,317

The increase was primarily driven by continued sales uptake of DARZALEX SC by Janssen and Phesgo by Roche in all geographies and contributions from new device royalty revenue as a result of the Antares acquisition in May 2022, partially offset by slightly lower sales of Herceptin SC and MabThera SC by Roche. We expect royalty revenue to continue to grow as a result of our 2020 and 2023 ENHANZE partner product launches, offsetting the ongoing impact from biosimilars related to our mature ENHANZE partner products.

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

	Nine Months Ended September 30,		
	2023	2022	Change
Sales of proprietary products	$ 91,765	$ 44,559	$ 47,206
Sales of bulk rHuPH20	86,203	60,764	25,439
Sales of device partnered product	43,284	24,544	18,740
Total product sales, net	$ 221,252	$ 129,867	$ 91,385

The increase in product sales was primarily due to contributions from our proprietary and device partnered products as the result of the Antares acquisition in May 2022 and higher sales of bulk rHuPH20 driven by partner demand. We expect sales of our proprietary products will 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 will fluctuate in future periods based on the needs of our partners.

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

	Nine Months Ended September 30,		
	2023	2022	Change
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:			
argenx	$ 33,000	$ —	$ 33,000
BMS	—	30,000	(30,000)
Chugai	—	25,000	(25,000)
Roche	8,000	19,000	(11,000)
Janssen	—	15,000	(15,000)
ViiV	5,000	—	5,000
Subtotal	46,000	89,000	(43,000)
Device licensing and development revenue	6,149	5,257	892
Total revenues under collaborative agreements	$ 52,149	$ 94,257	$ (42,108)

The decrease in revenue from license fees was primarily due to the timing of milestones driven by partner activities. 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):

		Nine Months Ended September 30,											
		2023	2022	Change									
		Three Months Ended March 31,				Three Months Ended							Increase / (Decrease)
		2024											
		2024				2023			Dollar		Percentage		
Cost of sales	Cost of sales	$140,063	$97,184	$42,879	Cost of sales	$28,329	$	$35,170	$	$(6,841)	(19)	(19)	%

Amortization of intangibles	Amortization of intangibles	56,011	38,596	17,415	Amortization of intangibles	17,763	17,835	17,835	(72)	(72)	—	—	%
Research and development	Research and development	55,027	44,041	10,986	Research and development	19,111	17,979	17,979	1,132	1,132	6	6	%
Selling, general and administrative	Selling, general and administrative	111,574	105,777	5,797	Selling, general and administrative	35,134	37,357	37,357	(2,223)	(2,223)	(6)	(6)	%

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 increase decrease in cost of sales was primarily due to an increase in lower bulk rHuPH20 sales, of our partially offset by higher proprietary and device partnered products as a result of the Antares acquisition, amortization of the inventory step-up associated with purchase accounting for the Antares acquisition and higher bulk rHuPH20 product sales.

Amortization of intangibles – The Amortization of intangibles consists primarily of expense associated with the amortization of acquired device technologies and product rights. Amortization of intangibles expense was primarily due to the acquisition of Antares in May 2022, in which we acquired intangible assets that are amortized remained flat year over their useful lives. year.

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 increase in research and development expense was primarily due to an increase in compensation expense related to the ongoing combined larger workforce from the Antares acquisition, which added device platform resources in regulatory, quality and manufacturing, as well as planned investments in ENHANZE, partially offset by one-time transaction costs incurred in the prior year. ENHANZE.

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 decrease in SG&A expense was primarily due to an increase reductions in compensation commercial marketing expense, related to the ongoing combined larger workforce, including the addition of commercial resources in sales and marketing for TRT products, partially offset by one-time transaction costs incurred in the prior year. increased compensation expense.

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

	Three Months Ended September 30,		
	2023	2022	Change
Investment and other income, net	$ 10,957	$ 194	$ 10,763

	Three Months Ended March 31,		Increase / (Decrease)	
	2024	2023	Dollar	Percentage
Investment and other income, net	$ 4,993	$ 2,979	$ 2,014	68 %

Investment and other income (expense), 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 a significant increase in market interest rates as well as an increase in the average invested balance.

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

	Nine Months Ended September 30,		
	2023	2022	Change
Interest expense	$ 13,542	$ 12,377	$ 1,165

	Three Months Ended March 31,		Increase / (Decrease)	
	2024	2023	Dollar	Percentage
Interest expense	$ 4,507	$ 4,543	$ (36)	(1)%

The increase in interest Interest expense was consists primarily due to an increase in interest expense of costs related to our 2028 Convertible Notes, partially offset by the repayment of our 2022 Term Facility convertible notes and outstanding Revolving Credit Facility during the third quarter of 2022 and a reduction in interest revolving credit facility. Interest expense related to our 2024 Convertible Notes which were converted in the first quarter of 2023. remained flat year over year.

Income Taxes – Income taxes were as follows (in thousands):

	Nine Months Ended September 30,		
	2023	2022	Change
Income tax expense	$ 50,948	$ 33,700	$ 17,248

	Three Months Ended March 31,		Increase / (Decrease)	
	2024	2023	Dollar	Percentage
Income tax expense	$ 19,205	$ 12,623	$ 6,582	52 %

The increase in income tax expense was primarily due to higher income before taxes recognized during the nine months ended September 30, 2023. current quarter. Our annual effective tax rate is estimated to be approximately 20% for 2023, 2024, which differs from the U.S. federal statutory rate due to state income taxes, nondeductible executive compensation, research and development credit generation and the reduced rate on foreign export sales. Our effective tax rate of 20.6% for the nine months ended September 30, 2023 was primarily impacted by state income taxes, discrete excess tax benefits recognized on share-based compensation, net of limitations on executive compensation and a tax benefit on export sales.

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, 2023 March 31, 2024, we had cash, cash equivalents and marketable securities of $483.3 million $463.5 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

	Three Months Ended March 31,					
	Nine Months Ended September 30,					
	2023	2022	Change	2024	2023	Change

Net cash provided by operating activities	$286,217	$157,657	$128,560
Net cash used in investing activities	(88,618)	(485,259)	396,641
Net cash (used in) provided by financing activities	(158,067)	356,042	(514,109)
Net increase in cash, cash equivalents and restricted cash	$ 39,532	$ 28,440	$ 11,092

Operating Activities

The increase in net cash provided by operations was primarily due to an increase in revenue and a decrease reduction in working capital spend, partially offset by a decrease in collaboration revenue. spend.

Investing Activities

The decrease increase in net cash used in investing activities was primarily due to the acquisition an increase in net purchases of Antares in the prior year, marketable securities, partially offset by a decrease in cash from the sale of marketable securities and sale of assets and an increase in capital spend for the purchase of manufacturing equipment property and new facility improvements. equipment.

Financing Activities

The increase decrease in net cash used in financing activities was primarily due to $702.0 million the repurchase of $150.1 million in cash received common stock in the prior year from the issuance of our 2028 Convertible Notes and a $1.6 million reduction in net proceeds from the issuance of common stock under equity incentive plans. The increase was partially offset by $69.1 million cash paid for our Capped Call Transaction in the prior year, $64.0 million reduction $13.5 million in cash paid on the conversion of our 2024 Convertible Notes $50.0 million decrease in the repurchase of common stock and $6.5 million cash paid for debt issuance costs in the prior year.

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 over which is expected to be completed in the second quarter of 2024. In February 2024, our Board of Directors authorized a three-year period. new capital return program to repurchase up to $750.0 million of our outstanding common stock. Refer to Note 10 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" and collectively with the 2024 Convertible Notes and the 2027 Convertible Notes the "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 will be 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, 2023 March 31, 2024, the 2027 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 will be 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 March 31, 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 will 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, will be are effectively junior to any secured indebtedness to the extent of the value of the assets securing such indebtedness and will be 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, 2023 March 31, 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 are were presented as a debt discount.

The 2024 Convertible Notes pay interest semi-annually in arrears on June 1st and December 1st of each year, beginning on June 1, 2020, at an annual rate of 1.25%. The 2024 Convertible Notes are general unsecured obligations and will rank senior in right of payment to all indebtedness that is expressly subordinated in right of payment to the 2024 Convertible Notes, will rank equally in right of payment with all existing and future liabilities that are not so subordinated, will be effectively junior to any secured indebtedness to the extent of the value of the assets securing such indebtedness and will be structurally subordinated to all indebtedness and other liabilities (including trade payables) of the our current or future subsidiaries. The 2024 Convertible Notes have a maturity date of December 1, 2024.

Holders may convert their 2024 Convertible Notes at their option only in the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on March 31, 2020, 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 2024 Convertible Notes; (4) if we call such notes for redemption; and (5) at any time from, and including, June 1, 2024 until the close of business on the scheduled trading day immediately before the maturity date.

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, if applicable, 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 March 2021, we completed a privately negotiated and induced conversion of $369.1 million principal amount of the 2024 Convertibles ("2021 Note Repurchases" or the "2021 Induced Conversion"). In connection with the 2021 Induced Conversion, we paid approximately $370.2 million in cash, which includes principal and accrued interest, and issued approximately 9.08 million shares of our common stock representing the intrinsic value based on the contractual conversion rate and incremental shares as an inducement for conversion. As a result of the 2021 Induced Conversion, we recorded $21.0 million in induced conversion expense which was included in other income (expense) of our condensed consolidated statements of income in 2021. The induced conversion expense represented the fair value of the common stock issued upon conversion in excess of the common stock issuable under the original terms of the 2024 Convertible Notes.

In August 2022, we completed a privately negotiated induced conversion of $77.4 million principal amount of the 2024 Convertible Notes ("2022 Note Repurchases" or the "2022 Induced Conversion"). In connection with the 2022 Induced Conversion, we paid approximately $77.6 million million in cash, which includes principal and accrued interest, and issued approximately 1.51 million shares of our common stock representing the intrinsic value based on the contractual conversion rate and incremental shares as an inducement for conversion. As a result of the 2022 Induced Conversion, we recorded $2.7 million in induced conversion expense which was included in other income (expense) of our condensed consolidated statements of income in 2022. The induced conversion expense represented the fair value of the common stock issued upon conversion in excess of the common stock issuable under the original terms of the 2024 Convertible Notes.

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 includes 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 (May 2022)

In May 2022, in connection with the closing of Antares acquisition, 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 $350 million $575 million revolving credit facility (the "Revolving Credit Facility") and (ii) a $250 million term loan facility (the "Term Facility"). The proceeds from a $120 million draw on 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

and the $250 million Term Facility were used to fund a portion of the Antares acquisition, refinance Antares' existing debt and pay fees and expenses in connection with the Antares acquisition. The 2022 Credit Agreement contains an expansion feature, which allows us, subject to certain conditions, to increase the aggregate principal amount of the 2022 Facility, provided we remain in compliance with underlying financial covenants on a pro forma basis including the consolidated interest coverage ratio and the consolidated net leverage ratio covenants set forth in 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 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.

In August 2022, we entered into Amendment No. 1 to the Credit Agreement (the "Amendment") among the Company, the Guarantors (as defined in the Credit Agreement), each L/C Issuer from time to time party thereto, Bank of America, N.A., as Administrative Agent (in such capacity, the "Administrative Agent") and swing line lender (in such capacity, the "Swing Line Lender"), and each lender party thereto, which amends the Credit Agreement dated as of May 24, 2022 (the "Credit Agreement") among the Company, the Guarantors, the Administrative Agent, the Swing Line Lender, each Lender and the L/C Issuers. The Amendment, among other things, increased the size of the revolving credit facility from $350 million to $575 million. The terms of the revolving credit facility were otherwise unchanged. Concurrently, with the entry into the Amendment, the Company repaid the entire outstanding term loan facility and repaid all outstanding loans under the revolving credit facility under the Credit Agreement.

As of September 30, 2023 March 31, 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, 2022 December 31, 2023. As of September 30, 2023 March 31, 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, 2022 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. generally accepted accounting principles ("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, 2022 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 Part II, Item 7. 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations"* *Operations* of our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023. There were no material changes to our critical accounting policies or estimates during the nine three months ended September 30, 2023 March 31, 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.

Risk Factors

Risks Related To Our Business

If our partnered or proprietary product candidates do not receive and maintain regulatory approvals, or if approvals are not obtained in a timely manner, such failure or delay would substantially impact our ability to generate revenues.

Approval from the FDA or equivalent health authorities is necessary to design, develop, test, manufacture and market pharmaceutical products and medical devices in the U.S. and the other countries in which we anticipate doing business have similar requirements. The process for obtaining FDA and other regulatory approvals is extensive, time-consuming, risky and costly, and there is no guarantee that the FDA or other regulatory bodies will approve any applications that may be filed with respect to any of our partnered or proprietary product candidates, or that the timing of any such approval will be appropriate for the desired product launch schedule for a product candidate. We and our partners may provide guidance as to the timing for the filing and acceptance of such regulatory approvals, but such filings and approvals may not occur when we or our partners expect, or at all. The FDA or other foreign regulatory agency may refuse or delay approval of our partnered or proprietary product candidates for failure to collect sufficient clinical or animal safety data and require additional clinical or animal safety studies which may cause lengthy delays and increased costs to our or our partners' development programs. Any such issues associated with rHuPH20 could have an adverse impact on future development of our partners' products which include rHuPH20, future sales of Hylenex recombinant, or our ability to maintain our existing ENHANZE collaborations or enter into new ENHANZE collaborations.

We and our partners may not be successful in obtaining approvals for any additional potential products in a timely manner, or at all. Refer to the risk factor titled "*Our partnered or proprietary product candidates may not receive regulatory approvals or their development may be delayed for a variety of reasons, including delayed or unsuccessful clinical trials, regulatory requirements or safety concerns*" for additional information relating to the approval of product candidates.

Additionally, even with respect to products which have been approved for commercialization, in order to continue to manufacture and market pharmaceutical and medical device products, we or our partners must maintain our regulatory approvals. If we or any of our partners are unsuccessful in maintaining the required regulatory approvals, our revenues would be adversely affected.

Use of our partnered or proprietary products and product candidates could be associated with adverse events or product recalls.

As with most pharmaceutical and medical device products, our partnered or proprietary products and product candidates could be associated with adverse events which can vary in severity (from minor reactions to death) and frequency (infrequent to very common) or product recalls. Adverse events associated with the use of our partnered or proprietary products or product candidates may be observed at any time, including in clinical trials or when a product is commercialized, and any such adverse events may negatively affect our or our partners' ability to obtain or maintain regulatory approval or market such products and product candidates. Adverse events such as toxicity or other safety issues associated with the use of our partnered or proprietary products and product candidates could require us or our partners to perform additional studies or halt development or commercialization of these products and product candidates or expose us to product liability lawsuits which will harm our business. For example, we experienced a clinical hold on patient enrollment and dosing in our phase 2 study of PEGPH20 in patients with PDA (a discontinued program), which was not resolved until we implemented steps to address an observed possible difference in TE event rates between the arms of the study. We or our partners may be required by regulatory agencies to conduct additional animal or human studies regarding the safety and efficacy of our pharmaceutical products or product candidates which we have not planned or anticipated. There can be no assurance that we or our partners will resolve any issues related to any product or product candidate adverse events to the satisfaction of the FDA or any regulatory agency in a timely manner or ever, which could harm our business, prospects and financial condition.

To the extent that a product fails to conform to its specifications or comply with the applicable laws or regulations, we or our partners may be required to or may decide to voluntarily recall the product or regulatory authorities may request or require that we recall a product even if there is no immediate potential harm to a patient. Any recall of our products or their components that we supply to our partners could materially adversely affect our business by rendering us unable to sell those products or components for some time and by adversely affecting our reputation. Recalls are costly and take time and effort to administer. Even if a recall only initially relates to a single product, product batch, or a portion of a batch, recalls may later be expanded to additional products or batches or we or our partners may incur additional costs and need to dedicate additional efforts to investigate and rule out the potential for additional impacted products or batches. Moreover, if any of our partners recall a product due to an issue with a product or component that we supplied, they may claim that we are responsible for such issue and may seek to recover the costs related to such recall or be entitled to certain contractual remedies from us. Recalls may further result in decreased demand for our partnered or proprietary products, could cause our partners or distributors to return products to us for which we may be required to provide refunds or replacement products, or could result in product shortages. Recalls may also require regulatory reporting and prompt regulators to conduct additional inspections of our or our partners' or contractors' facilities, which could result in findings of noncompliance and regulatory enforcement actions. A recall could also result in product liability claims by individuals and third-party payers. In addition, product liability claims or other safety issues could result in an investigation of the safety or efficacy of our products, our manufacturing processes and facilities, or our marketing programs conducted by the FDA or the authorities of the EU member states and other jurisdictions. Such investigations could also potentially lead to a recall of our products or more serious enforcement actions, limitations on the indications for which they may be used, or suspension, variation, or withdrawal of approval. Any such regulatory action by the FDA, the EMA or the competent authorities of the EU member states could lead to product liability lawsuits as well.

If our contract manufacturers or vendors are unable or unwilling for any reason to manufacture and supply to us bulk rHuPH20 or other raw materials, reagents, components or devices in the quantity and quality required by us or our partners for use in the production of our proprietary or partnered products and product candidates, our and our partners' product development and commercialization efforts could be delayed or stopped and our business results associated with operations and our collaborations could be harmed.

We rely on a number of third parties in our supply chain for the supply and manufacture of our partnered and proprietary products, and the availability of such products depends upon our ability to procure the raw materials, components, packaging materials and finished products from these third parties, some of which are currently our single source for the materials necessary for certain of our products. We have entered into supply agreements with numerous third-party suppliers. For example, we have existing supply agreements with contract manufacturing organizations Avid Bioservices, Inc. (Avid) and Catalent Indiana LLC (Catalent) to produce bulk rHuPH20. These manufacturers each produce bulk rHuPH20 under cGMP for use in Hylenex recombinant, and for use in partnered products and product candidates. We rely on their ability to successfully manufacture bulk rHuPH20 according to product specifications. In

addition to supply obligations, our contract manufacturers will also provide support for the chemistry, manufacturing and controls sections for FDA and other regulatory filings. We also rely on vendors to supply us with raw materials to produce reagents and other materials for bioanalytical assays used to support our partners' clinical trials. If any of our contract manufacturers or vendors: (i) is unable to retain its status as an FDA approved manufacturing facility; (ii) is unable to otherwise successfully scale up production to meet corporate or regulatory authority quality standards; (iii) is unable to procure the labor, raw materials, reagents or components necessary to produce our proprietary products, including bulk rHuPH20 and Hylenex recombinant, our bioanalytical assays or our partnered products or (iv) fails to manufacture and supply our partnered and proprietary products, including bulk rHuPH20 in the quantity and quality required by us or our partners for use in Hylenex and partnered products and product candidates for any other reason, our business will be adversely affected. In addition, a significant change in such parties' or other third-party manufacturers' business or financial condition could adversely affect their abilities or willingness to fulfill their contractual obligations to us. We have not established, and may not be able to establish, favorable arrangements with additional bulk rHuPH20 manufacturers and suppliers of the ingredients necessary to manufacture bulk rHuPH20 should the existing manufacturers and suppliers become unavailable or in the event that our existing manufacturers and suppliers are unable or unwilling to adequately perform their responsibilities. We have attempted to mitigate the impact of a potential supply interruption through the establishment of excess bulk rHuPH20 inventory where possible, but there can be no assurances that this safety stock will be maintained or that it will be sufficient to address any delays, interruptions or other problems experienced by any of our contract manufacturers. Any delays, interruptions or other problems regarding the ability or willingness of our contract manufacturers to supply bulk rHuPH20 or the ability or willingness of other third-party manufacturers, to supply other raw materials or ingredients necessary to produce our other proprietary or partnered products on a timely basis could: (i) cause the delay of our partners' clinical trials or otherwise delay or prevent the regulatory approval of our partners' product candidates; (ii) delay or prevent the effective commercialization of proprietary or partnered products and product candidates; and/or (iii) cause us to breach contractual obligations to deliver bulk rHuPH20 to our partners. Such delays could damage our relationship with our partners, and they could have a material adverse effect on royalties and thus our business and financial condition. Additionally, we rely on third parties to manufacture, prepare, fill, finish, package, store and ship our proprietary and partnered products and product candidates on our behalf. If the third parties we identify fail to perform their obligations, the progress of partners' clinical trials could be delayed or even suspended and the commercialization of our partnered or proprietary products could be delayed or prevented.

In addition, our Minnetonka, Minnesota facility supports our administrative functions, product development and quality operations and is intended to eventually provide additional manufacturing and warehousing capabilities in the future. If we begin manufacturing and producing commercial products in the future, we will be subject to relevant risks comparable to those of our third-party manufacturers. For example, we may not be able to begin product manufacturing and production due to a number of different reasons including, but not limited to, an ability to obtain necessary supplies and materials, labor and expertise. To the extent we rely on our ability to manufacture and ship any of our proprietary and partnered products, our inability to do so could have a material adverse impact on our business, financial condition and results of operations.

We rely on third parties to perform necessary services for our products including services related to the distribution, invoicing, rebates and contract administration, co-pay program administration, sample distribution and administration, storage and transportation of our products. If anything should impede their ability to meet their commitments this could impact our business performance.

Depending on the product, we have retained third-party service providers to perform a variety of functions related to the distribution, invoicing, rebates and contract administration, co-pay program administration, sample distribution and administration, storage and transportation of our products, key aspects of which are out of our direct control. We place substantial reliance on these providers as well as other third-party providers that perform services for us, including, depending on the product, entrusting our inventories of products to their care and handling. We also may rely on third parties to administer our drug price reporting and rebate payments and contracting obligations under federal programs. Despite our reliance on third parties, we have responsibilities for compliance with the applicable legal and program requirements. By example, in certain states, we are required to hold licenses to distribute our products in these states and must comply with the associated state laws. Moreover, if these third-party service providers fail to meet expected deadlines, or otherwise do not carry out their contractual duties to us or encounter physical damage or a natural disaster at their facilities, our ability to deliver products to meet commercial demand would be significantly impaired. In addition, we may use third parties to perform various other services for us relating to regulatory monitoring, including adverse event reporting, safety database management and other product maintenance services. If our employees or any third-party service providers fail to comply with applicable laws and regulations, we and/or they may face regulatory or False Claims Act enforcement actions. Moreover, if the quality or accuracy of the data maintained by these service providers is insufficient, our ability to continue to market our products could be jeopardized or we and/or they could be subject to regulatory sanctions. We do not currently have the internal capacity to perform all of these important commercial functions, and we may not be able to maintain commercial arrangements for these services on reasonable terms.

If we or any party to a key collaboration agreement fail to perform material obligations under such agreement, or if a key collaboration agreement is terminated for any reason, our business could suffer.

We have entered into multiple collaboration agreements under which we may receive significant future payments in the form of milestone payments, target designation fees, maintenance fees and royalties. We are heavily dependent on our partners to develop and commercialize product candidates subject to our collaborations in order for us to realize any financial benefits, including revenues from milestones, royalties and product sales from these collaborations. Our partners may not devote the attention and resources to such efforts that we would ourselves, change their clinical development plans, promotional efforts or simultaneously develop and commercialize products in competition to those products we have licensed to them. Any of these actions may not be visible to us immediately and could negatively impact our ability to forecast and our ability to achieve the benefits and revenue we receive from such collaboration. In addition, in the event that a party fails to perform under a key collaboration agreement, or if a key collaboration agreement is terminated, the reduction in anticipated revenues could negatively impact our operations. In addition, the termination of a key collaboration agreement by one or more of our partners could have a material adverse impact on our ability to enter into additional collaboration agreements with new partners on favorable terms, if at all. In certain

circumstances, the termination of a key collaboration agreement would require us to revise our corporate strategy going forward and may lead us to reevaluate the applications and value of our technology.

Hylenex and our partners' ENHANZE products and product candidates rely on the rHuPH20 enzyme, and any adverse development regarding rHuPH20 could substantially impact multiple areas of our business, including current and potential ENHANZE collaborations, as well as any proprietary programs.

rHuPH20 is a key technological component of Hylenex and our ENHANZE technology and most of our ENHANZE partnered products and product candidates, including the current and future products and product candidates under our ENHANZE collaborations. We derive a substantial portion of our revenues from our ENHANZE collaborations. Therefore, if there is an adverse development for rHuPH20 (e.g., an adverse regulatory determination relating to rHuPH20, if we are unable to obtain sufficient quantities of rHuPH20, if we are unable to obtain or maintain material proprietary rights to rHuPH20 or if we discover negative characteristics of rHuPH20), multiple areas of our business, including current and potential collaborations, as well as proprietary programs would be substantially impacted. For example, elevated anti-rHuPH20 antibody titers were detected in the registration trial for HYQVIA as well as in a former partner's product in a Phase 2 clinical trial with rHuPH20, but have not been associated, in either case, with any adverse events. We monitor for antibodies to rHuPH20 in our collaboration and proprietary programs, and although we do not believe at this time that the incidence of non-neutralizing anti-rHuPH20 antibodies in either the HYQVIA program or the former partner's program will have a significant impact on our proprietary product and our partners' product and product candidates, there can be no assurance that there will not be other such occurrences in the foregoing programs or that concerns regarding these antibodies will not also be raised by the FDA or other health authorities in the future, which could result in delays or discontinuations of our Hylenex commercialization activities, the development or commercialization activities of our ENHANZE partners, or deter our entry into additional ENHANZE collaborations with third parties.

Our business strategy is focused on growth of our ENHANZE and auto-injector technologies, our commercial products and potential growth through acquisition. Currently, ENHANZE is the largest revenue driver and as a result there is a risk for potential negative impact from adverse developments. Future expansion of our strategic focus to additional applications of our ENHANZE technology or by acquiring new technologies may require the use of additional resources, result in increased expense and ultimately may not be successful.

We routinely evaluate our business strategy, and may modify this strategy in the future in light of our assessment of unmet medical needs, growth potential, resource requirements, regulatory issues, competition, risks and other factors. As a result of these strategic evaluations, we may focus our resources and efforts on one or a few programs or fields and may suspend or reduce our efforts on other programs and fields. For example, in the fourth quarter of 2019, we decided to focus our resources on our ENHANZE technology and our commercial product, Hylenex. By focusing primarily on these areas, we increase the potential impact on us if one of those partner programs does not successfully complete clinical trials, achieve commercial acceptance or meet expectations regarding sales and revenue. We may also expand our strategic focus by seeking new therapeutics applications of our technology or by acquiring new technologies which may require the use of additional resources, increased expense and would require the attention of senior management. For example, in May 2022, we acquired Antares as a means to diversify the sources of our revenues. There can be no assurance that our investment in Antares or any such future investment of resources in new technologies will ultimately result in additional approved proprietary or partnered products or commercial success of new therapeutic applications of our technology.

Our partnered or proprietary product candidates may not receive regulatory approvals or their development may be delayed for a variety of reasons, including delayed or unsuccessful clinical trials, regulatory requirements or safety concerns. If we or our partners fail to obtain, or have delays in obtaining, regulatory approvals for any product candidates, our business, financial condition and results of operations may be materially adversely affected.

Clinical testing of pharmaceutical products is a long, expensive and uncertain process, and the failure or delay of a clinical trial can occur at any stage, including the patient enrollment stage. Even if initial results of preclinical and nonclinical studies or clinical trial results are promising, our partners may obtain different results in subsequent trials or studies that fail to show the desired levels of dose safety and efficacy, or we or our partners may not obtain applicable regulatory approval for our products for a variety of other reasons. Preclinical, nonclinical, and clinical trials for proprietary or partnered product candidates could be unsuccessful, which would delay or preclude regulatory approval and commercialization of the product candidates. In the U.S. and other jurisdictions, regulatory approval can be delayed, limited or not granted for many reasons, including, among others:

- during the course of clinical studies, the final data from later Phase 3 studies may differ from data observed in early phase clinical trials, and clinical results may not meet prescribed endpoints for the studies or otherwise provide sufficient data to support the efficacy of our partners' product candidates;
- clinical and nonclinical test results may reveal inferior pharmacokinetics, adverse events or unexpected safety issues associated with the use of our partners' product candidates;
- regulatory review may not find that the data from preclinical testing and clinical trials justifies approval;
- regulatory authorities may require that we or our partners change our studies or conduct additional studies which may significantly delay or make continued pursuit of approval commercially unattractive;
- a regulatory agency may reject our and our partners' trial data or disagree with their interpretations of either clinical trial data or applicable regulations;
- a regulatory agency may require additional safety monitoring and reporting through Risk Evaluation and Mitigation Strategies including conditions to assure safe use programs and we or a partner may decide to not pursue regulatory approval for a such a product;

- a regulatory agency may not approve our manufacturing processes or facilities, or the processes or facilities of our partners, our contract manufacturers or our raw material suppliers;
- failure of our or our partners' contract research organization, or CRO, to properly perform the clinical trial in accordance with the written protocol, our contractual obligations with them or applicable regulatory requirements;
- a regulatory agency may identify problems or other deficiencies in our existing manufacturing processes or facilities, or the existing processes or facilities of our partners, our contract manufacturers or our raw material suppliers;
- a regulatory agency may change its formal or informal approval requirements and policies, act contrary to previous guidance, adopt new regulations or raise new issues or concerns late in the approval process; or
- a proprietary or partnered product candidate may be approved only for indications that are narrow or under conditions that place the product at a competitive disadvantage, which may limit the sales and marketing activities for such product candidate or otherwise adversely impact the commercial potential of a product.

If a proprietary or partnered product candidate is not approved in a timely fashion or approval is not obtained on commercially viable terms, or if development of any product candidate is terminated due to difficulties or delays encountered in the regulatory approval process, it could have a material adverse impact on our business, financial condition and results of operation and we would become more dependent on the development of other proprietary or partnered product candidates and/

or our ability to successfully acquire other technologies. There can be no assurances that any proprietary or partnered product candidate will receive regulatory approval in a timely manner, or at all. There can be no assurance that partners will be able to gain clarity as to the FDA's requirements or that the requirements may be satisfied in a commercially feasible way, in which case our ability to enter into collaborations with third parties or explore other strategic alternatives to exploit an opportunity will be limited or may not be possible.

We anticipate that certain proprietary or partnered products will be marketed, and perhaps manufactured, in foreign countries. The process of obtaining regulatory approvals in foreign countries is subject to delay and failure for the reasons set forth above, as well as for reasons that vary from jurisdiction to jurisdiction. The approval process varies among countries and jurisdictions and can involve additional testing. The time required to obtain approval in foreign countries may differ from that required to obtain FDA approval. Foreign regulatory agencies may not provide approvals on a timely basis, if at all. Approval by the FDA does not ensure approval by regulatory authorities in other countries or jurisdictions, and approval by one foreign regulatory authority does not ensure approval by regulatory authorities in other foreign countries or jurisdictions or by the FDA.

Our third-party partners are responsible for providing certain proprietary materials that are essential components of our partnered products and product candidates, and any failure to supply these materials could delay the development and commercialization efforts for these partnered products and product candidates and/or harm our collaborations. Our partners are also responsible for distributing and commercializing their products, and any failure to successfully commercialize their products could materially adversely affect our revenues.

Our development and commercialization partners are responsible for providing certain proprietary materials that are essential components of our partnered products and product candidates. For example, Roche is responsible for producing the Herceptin and MabThera required for its subcutaneous products and Takeda is responsible for producing the GAMMAGARD LIQUID for its product HYQVIA. If a partner, or any applicable third party service provider of a partner, encounters difficulties in the manufacture, storage, delivery, fill, finish or packaging of the partnered product or product candidate or component of such product or product candidate, such difficulties could (i) cause the delay of clinical trials or otherwise delay or prevent the regulatory approval of partnered product candidates; and/or (ii) delay or prevent the effective commercialization of partnered products. Such delays could have a material adverse effect on our business and financial condition. We also rely on our partners to commercialize and distribute their products and if they are unsuccessful in commercializing certain products, the resulting royalty revenue we would receive may be lower than expected.

If we or our partners fail to comply with regulatory requirements applicable to promotion, sale and manufacturing of approved products, regulatory agencies may take action against us or them, which could harm our business.

Any approved products, along with the manufacturing processes, post-approval clinical data requirements, labeling, advertising and promotional activities for these products, are subject to continual requirements and review by the FDA, and state and foreign regulatory bodies. Regulatory authorities subject a marketed product, its manufacturer and the manufacturing facilities to continual review and periodic inspections. We, our partners and our respective contractors, suppliers and vendors, will be subject to ongoing regulatory requirements, including complying with regulations and laws regarding advertising, promotion and sales of drug products, required submissions of safety and other post-market information and reports, registration requirements, cGMP regulations (including requirements relating to quality control and quality assurance, as well as the corresponding maintenance of records and documentation), and the requirements regarding the distribution of samples to physicians and recordkeeping requirements. Further, because some of our proprietary and partnered products and product candidates are drug/device combination products, we and our partners will have to comply with extensive regulatory requirements than would otherwise be required for products that are not combination products. Regulatory agencies may change existing requirements or adopt new requirements or policies. We, our partners and our respective contractors, suppliers and vendors, may be slow to adapt or may not be able to adapt to these changes or new requirements.

In particular, regulatory requirements applicable to pharmaceutical products make the substitution of suppliers and manufacturers costly and time consuming. We have minimal internal manufacturing capabilities and are, and expect to be in the future, substantially dependent on contract manufacturers and suppliers for the manufacture of our products and for their active and other ingredients. The disqualification of these manufacturers and suppliers through their failure to comply with regulatory requirements could negatively impact our business because the delays and costs in obtaining and qualifying alternate

suppliers (if such alternative suppliers are available, which we cannot assure) could delay our or our partners' clinical trials or otherwise inhibit our or partners' ability to bring approved products to market, which would have a material adverse effect on our business and financial condition. Likewise, if we, our partners and our respective contractors, suppliers and vendors involved in sales and promotion of our products do not comply with applicable laws and regulations, for example off-label or false or misleading promotion, this could materially harm our business and financial condition.

Failure to comply with regulatory requirements may result in adverse regulatory actions including but not limited to, any of the following:

- restrictions on our or our partners' products or manufacturing processes;
- warning letters;
- withdrawal of our or our partners' products from the market;
- voluntary or mandatory recall;
- fines;
- suspension or withdrawal of regulatory approvals;
- suspension or termination of any of our partners' ongoing clinical trials;
- refusal to permit the import or export of our or our partners' products;
- refusal to approve pending applications or supplements to approved applications that we submit;
- product seizure;
- injunctions; or
- imposition of civil or criminal penalties.

Failure of our auto-injector and specialty products business to perform could adversely impact future business and operations.

We acquired the Antares auto-injector and specialty products business with the expectation that the acquisition will result in various benefits for the combined company, including providing an opportunity for increased revenues through growth of device revenue and commercial products and development of a new high volume auto-injector. Increased competition, unresolvable technical issues and/or deterioration in business conditions may limit our ability to grow this business. As such, we may not be able to realize the benefits anticipated in connection with the acquisition.

Business interruptions resulting from pandemics or similar public health crises could cause a disruption of the development of our and our partnered product candidates and commercialization of our approved and our partnered products, impede our ability to supply bulk rHuPH20 to our ENHANZE partners or procure and sell our proprietary products and otherwise adversely impact our business and results of operations.

Public health crises such as pandemics or similar outbreaks could adversely impact our business and results of operations by, among other things, disrupting the development of our and our partnered product candidates and commercialization of our and our partnered approved products, causing disruptions in the operations of our third-party contract manufacturing organizations upon whom we rely for the production and supply of our proprietary products, including Hylenex and the bulk rHuPH20 we supply to our partners, and causing other disruptions to our operations.

For example, the COVID-19 pandemic led to the implementation of various responses, including government-imposed quarantines, travel restrictions and other public health safety measures. The extent to which future pandemics impact our operations and/or those of our partners will depend on future developments, which are highly uncertain and unpredictable, including the duration or recurrence of outbreaks, potential future government actions, new information that will emerge concerning the severity and impact of that pandemic and the actions to contain the pandemic or address its impact in the short and long term, among others.

The business disruptions associated with a global pandemic could impact the business, product development priorities and operations of our partners, including potential delays in manufacturing their product candidates or approved products. For example, clinical trial conduct may be impacted in geographies affected by a pandemic. The progress or completion of these clinical trials could be adversely impacted by the pandemic. Additionally, interruption or delays in the operations of the FDA, the EMA and other similar foreign regulatory agencies, or changes in regulatory priorities to focus on the pandemic, may affect required regulatory review, inspection, clearance and approval timelines. Disruptions such as these could result in delays in the development programs of our partnered products or impede the commercial efforts for approved products, resulting in potential reductions or delays in our revenues from partner royalty or milestone payments.

We rely on many third parties to source active pharmaceutical ingredient and drug products, manufacture and assemble our devices, distribute finished products and provide various logistics activities in order to manufacture and sell our partnered and proprietary products. For example, we rely on third-party manufacturers to manufacture the bulk rHuPH20 that we supply to our partners for their commercial products and product candidates, as well as our commercial product Hylenex. If any such third party manufacturer is adversely impacted by a pandemic and related consequences, including staffing shortages, production slowdowns and disruptions in delivery systems, availability of raw materials, reagents or components or if they divert resources or manufacturing capacity to accommodate the development of treatments or vaccines, our supply chain may be disrupted, limiting our ability to sell Hylenex or supply bulk rHuPH20 to our partners. Any such disruptions to the operations of the third parties upon whom we rely to manufacture and sell our partnered and proprietary products could result in reductions or delays in our revenues.

We may need to raise additional capital in the future and there can be no assurance that we will be able to obtain such funds.

We may need to raise additional capital in the future to fund our operations for general corporate purposes if we do not achieve the level of revenues we expected. Our current cash reserves and expected revenues may not be sufficient for us to fund general operations and conduct our business at the level desired. In addition, if we engage in acquisitions of companies, products or technologies in order to execute our business strategy, we may need to raise additional capital. We may raise additional capital in the future through one or more financing vehicles that may be available to us including (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.

If we are required to raise additional capital in the future, it may not be available on favorable financing terms within the time required, or at all. If additional capital is not available on favorable terms when needed, we will be required to raise capital on adverse terms or significantly reduce operating expenses through the restructuring of our operations or deferral of strategic business initiatives. If we raise additional capital through a public offering of securities or equity, a substantial number of additional shares of our common stock may be issued, which will dilute the ownership interest of our current investors and may negatively affect our stock price.

We currently have significant debt and expect to incur additional debt. Failure by us to fulfill our obligations under the applicable debt agreements may cause repayment obligations to accelerate.

The aggregate amount of our consolidated indebtedness, net of debt discount, as of September 30, 2023 was $1,497.6 million, which includes $805.0 million in aggregate principal amount of the 2027 Convertible Notes and $720.0 million in aggregate principal of the 2028 Convertible Notes, net of unamortized debt discount of $11.8 million and $15.6 million for 2027 Convertible Notes and 2028 Convertible Notes, respectively.
Our indebtedness may:

- make it difficult for us to satisfy our financial obligations, including making scheduled principal and interest payments on our indebtedness;
- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions or other general corporate purposes;
- limit our ability to use our cash flow or obtain additional financing for future working capital, capital expenditures, acquisitions, share repurchases or other general business purposes;
- require us to use a portion of our cash flow from operations to make debt service payments;
- limit our flexibility to plan for, or react to, changes in our business and industry;
- place us at a competitive disadvantage compared to our less leveraged competitors; and
- increase our vulnerability to the impact of adverse economic and industry conditions.

In addition, our 2022 Credit Agreement includes certain affirmative and negative covenants, that, among other things, may restrict our ability to: create liens on assets; incur additional indebtedness; make investments; make acquisitions and other fundamental changes; and sell and dispose of property or assets. The 2022 Credit Agreement also includes financial covenants requiring us to maintain, measured as of the end of each fiscal quarter, a maximum consolidated net leverage ratio of 4.75 to 1.00 initially, which declines to 4.00 to 1.00 over the term of the loan facility, and a minimum consolidated interest coverage ratio of 3.00 to 1.00. The 2022 Credit Agreement also contains customary representations and warranties and events of default. Complying with the covenants contained in the 2022 Credit Agreement could make it more difficult for us to execute our business strategy. Further, in the event of default by us under the 2022 Credit Agreement, the lenders would be entitled to exercise their remedies thereunder, including the right to accelerate the debt, upon which we may be required to repay all amounts then outstanding under the 2022 Credit Agreement which would harm our financial condition.

Our ability to make payments on our existing or any future debt will depend on our future operating performance and ability to generate cash and may also depend on our ability to obtain additional debt or equity financing. It will also depend on financial, business or other factors affecting our operations, many of which are beyond our control. We will need to use cash to pay principal and interest on our debt, thereby reducing the funds available to fund operations, strategic initiatives and working capital requirements. If we are unable to generate sufficient cash to service our debt obligations, an event of default may occur under any of our debt instruments which could result in an acceleration of such debt upon which we may be required to repay all the amounts outstanding under some or all of our debt instruments. Such an acceleration of our debt obligations could harm our financial condition. From time to time, we may seek to retire or repurchase our outstanding debt through cash purchases and/or exchanges for equity or debt, in open-market purchases, privately negotiated transactions or otherwise. Any such repurchases or exchanges would be on such terms and at such prices as we determine, and will depend on current market conditions, our liquidity needs, any restrictions in our contracts and other factors. The amounts involved in such transactions could be material.

The conditional conversion feature of the Convertible Notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of the Convertible Notes is triggered, holders of the Convertible Notes will be entitled to convert the notes at any time during specified periods at their option. If one or more holders elect to convert their notes, we would be required to settle a portion or all of our conversion obligation in cash, which could adversely affect our liquidity. Even if holders of the Convertible Notes do not elect to convert their notes, we are required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the notes as a current rather than long-term liability when the conditional conversion feature is triggered, which results in a material reduction of our net working capital.

Conversion of our Convertible Notes may dilute the ownership interest of existing stockholders or may otherwise depress the price of our common stock.

The conversion of some or all of our Convertible Notes, to the extent we deliver shares upon conversion, will dilute the ownership interests of existing stockholders. Any sales in the public market of the Convertible Notes or our common stock issuable upon conversion of the Convertible Notes could adversely affect prevailing market prices of our common stock. In addition, the existence of the Convertible Notes may encourage short selling by market participants because the conversion of the Convertible Notes could be used to satisfy short positions, or anticipated conversion of the Convertible Notes into shares of our common stock could depress the price of our common stock.

If proprietary or partnered product candidates are approved for commercialization but do not gain market acceptance resulting in commercial performance below that which was expected or projected, our business may suffer.

Assuming that existing or future proprietary or partnered product candidates obtain the necessary regulatory approvals for commercial sale, a number of factors may affect the market acceptance of these newly-approved products, including, among others:

- the degree to which the use of these products is restricted by the approved product label;
- the price of these products relative to other therapies for the same or similar treatments;
- the extent to which reimbursement for these products and related treatments will be available from third-party payers including government insurance programs and private insurers;
- the introduction of generic or biosimilar competitors to these products;
- the perception by patients, physicians and other members of the health care community of the effectiveness and safety of these products for their prescribed treatments relative to other therapies for the same or similar treatments;
- the ability and willingness of our partners to fund sales and marketing efforts; and
- the effectiveness of the sales and marketing efforts of our partners.

If these proprietary or partnered products do not gain or maintain market acceptance or experience reduced sales resulting in commercial performance below that which was expected or projected, the revenues we expect to receive from these products will be diminished which could harm our ability to fund future operations, including conduct acquisitions, execute our planned share repurchases, or affect our ability to use funds for other general corporate purposes and cause our business to suffer.

In addition, our proprietary or partnered product candidates will be restricted to the labels approved by FDA and applicable regulatory bodies, and these restrictions may limit the marketing and promotion of the ultimate products. If the approved labels are restrictive, the sales and marketing efforts for these products may be negatively affected.

Our ability to license our ENHANZE and device technologies to our partners depends on the validity of our patents and other proprietary rights.

Patents and other proprietary rights are essential to our business. Our success will depend in part on our ability to obtain and maintain patent protection for our inventions, to preserve our trade secrets and to operate without infringing the proprietary rights of third parties. We have multiple patents and patent applications throughout the world pertaining to our recombinant human hyaluronidase and methods of use and manufacture, including an issued U.S. patent which expires in 2027 and an issued European patent which expires in 2024, which we believe cover the products and product candidates under our existing collaborations, and Hylenex. Although we believe our patent filings represent a barrier to entry for potential competitors looking to utilize these hyaluronidases, upon expiration of our patents other pharmaceutical companies may (if they do not infringe our other patents) seek to compete with us by developing, manufacturing and selling biosimilars to the active drug ingredient in our ENHANZE technology used by our partners in combination with their products. Any such loss of patent protection or proprietary rights could lead to a reduction or loss of revenues, incentivize one or more of our key ENHANZE partners to terminate their relationship with us and impact our ability to enter into new collaboration and license agreements.

Developing, manufacturing and marketing pharmaceutical products for human use involves significant product liability risks for which we may have insufficient insurance coverage.

The development, manufacture, testing, marketing and sale of pharmaceutical products and medical devices involves the risk of product liability claims by consumers and other third parties. Product liability claims may be brought by individuals seeking relief for themselves, or by groups seeking to represent a class of injured patients. Further, third-party payers, either individually or as a putative class, may bring actions seeking to recover monies spent on one of our products. Although we maintain product liability insurance coverage, product liability claims can be high in the pharmaceutical industry, and our insurance may not sufficiently cover our actual liabilities. If product liability claims were to be made against us, it is possible that the liabilities may exceed the limits of our insurance policy, or our insurance carriers may deny, or attempt to deny, coverage in certain instances. If a lawsuit against us is successful, then the insurance coverage may not be sufficient and could materially and adversely affect our business and financial condition. Furthermore, various distributors of pharmaceutical products require minimum product liability insurance coverage before purchase or acceptance of products for distribution. Failure to satisfy these insurance requirements could impede our ability to achieve broad distribution of our proposed products, and higher insurance requirements could impose additional costs on us. In addition, since many of our partnered product candidates include the pharmaceutical products of a third-party, we run the risk that problems with the third-party pharmaceutical product will give rise to liability claims against us. Product liability claims can also result in additional regulatory consequences including, but not limited to, investigations and regulatory enforcement actions, as well as recalls, revocation of approvals, or labeling, marketing or promotional restrictions or changes. Product liability claims could also harm our reputation and the reputation of our products, adversely affecting our ability to market our products successfully. In addition, defending a product liability lawsuit is expensive and can divert the attention of our key employees from operating our business. Such claims can also impact our ability to initiate or complete clinical trials.

If our partners do not achieve projected development, clinical, or regulatory goals in the timeframes publicly announced or otherwise expected, the commercialization of our partners products may be delayed and, as a result, our business, financial condition, and results of operations may be adversely affected.

From time to time, our partners may publicly articulate the estimated timing for the accomplishment of certain scientific, clinical, regulatory and other product development goals. The accomplishment of any goal is typically based on numerous assumptions, and the achievement of a particular goal may be delayed for any number of reasons both within and outside of our and our partners' control. If scientific, regulatory, strategic or other factors cause a collaboration partner to not meet a goal, regardless of whether that goal has been publicly articulated or not, our stock price may decline rapidly. Stock price

declines may also trigger direct or derivative shareholder lawsuits. As with any litigation proceeding, the eventual outcome of any legal action is difficult to predict. If any such lawsuits occur, we will incur expenses in connection with the defense of these lawsuits, and we may have to pay substantial damages or settlement costs in connection with any resolution thereof. Although we have insurance coverage against which we may claim recovery against some of these expenses and costs, the amount of coverage may not be adequate to cover the full amount or certain expenses and costs may be outside the scope of the policies we maintain. In the event of an adverse outcome or outcomes, our business could be materially harmed from depletion of cash resources, negative impact on our reputation, or restrictions or changes to our governance or other processes that may result from any final disposition of the lawsuit. Moreover, responding to and defending pending litigation significantly diverts management's attention from our operations.

In addition, the consistent failure to meet publicly announced milestones may erode the credibility of our management team with respect to future milestone estimates.

Future acquisitions could disrupt our business and impact our financial condition.

In order to augment and extend our revenue, we acquired Antares in May 2022 and we may decide to acquire additional businesses, products and technologies. As we have limited experience in evaluating and completing acquisitions, our ability as an organization to make such acquisitions is unproven. Acquisitions could require significant capital infusions and could involve many risks, including, but not limited to, the following:

- we may have to issue additional convertible debt or equity securities to complete an acquisition, which would dilute our stockholders and could adversely affect the market price of our common stock;
- an acquisition may negatively impact our results of operations because it may require us to amortize or write down amounts related to goodwill and other intangible assets, or incur or assume substantial debt or liabilities, or it may cause adverse tax consequences, substantial depreciation or deferred compensation charges;
- we may encounter difficulties in assimilating and integrating the business, products, technologies, personnel or operations of companies that we acquire;
- certain acquisitions may impact our relationship with existing or potential partners who are competitive with the acquired business, products or technologies;
- acquisitions may require significant capital infusions and the acquired businesses, products or technologies may not generate sufficient value to justify acquisition costs;
- we may take on liabilities from the acquired company such as debt, legal liabilities or business risk which could be significant;
- an acquisition may disrupt our ongoing business, divert resources, increase our expenses and distract our management;
- acquisitions may involve the entry into a geographic or business market in which we have little or no prior experience; and
- key personnel of an acquired company may decide not to work for us.

If any of these risks occurred, it could adversely affect our business, financial condition and operating results. There is no assurance that we will be able to identify or consummate any future acquisitions on acceptable terms, or at all. If we do pursue any future acquisitions, it is possible that we may not realize the anticipated benefits from such acquisitions or that the market will not view such acquisitions positively.

Our effective tax rate may fluctuate, and we may incur obligations in tax jurisdictions in excess of accrued amounts.

Our effective tax rate is derived from a combination of applicable tax rates in the various places that we operate. In preparing our financial statements, we estimate the amount of tax that will become payable in each of such places. Nevertheless, our effective tax rate may be different than experienced in the past due to numerous factors, including changes in the mix of our profitability between different tax jurisdictions, the results of examinations and audits of our tax filings, our inability to secure or sustain acceptable agreements with tax authorities, changes in accounting for income taxes and changes in tax laws. Any of these factors could cause us to experience an effective tax rate significantly different from previous periods or our current expectations and may result in tax obligations in excess of amounts accrued in our financial statements.

In addition, on September 30, 2021, we determined, based on our facts and circumstances, that it was more likely than not that a substantial portion of our deferred tax assets would be realized and, as a result, substantially all of our valuation allowance against our deferred tax assets was released. This resulted in substantially and disproportionately increasing our reported net income and our earnings per share compared to our operating results for 2021. Historical and future comparisons to these amounts are not, and will not be, indicative of actual profitability trends for our business. Starting in 2022, we recorded income tax expense at an estimated tax rate that approximate statutory tax rates, resulting a reduction in our net income and net income per share.

Risks Related To Ownership of Our Common Stock

Our stock price is subject to significant volatility.

We participate in a highly dynamic industry which often results in significant volatility in the market price of common stock irrespective of company performance. The high and low sales prices of our common stock during the twelve months ended September 30, 2023 were $59.46 and $29.85, respectively. In addition to the other risks and uncertainties described elsewhere in this Quarterly Report on Form 10-Q and all other risks and uncertainties that are either not known to us at this time or which we deem to be immaterial, any of the following factors may lead to a significant drop in our stock price:

- the presence of competitive products to those being developed by our partners;

- failure (actual or perceived) of our partners to devote attention or resources to the development or commercialization of partnered products or product candidates licensed to such partner;
- a dispute regarding our failure, or the failure of one of our partners, to comply with the terms of a collaboration agreement;
- the termination, for any reason, of any of our collaboration agreements;
- the sale of common stock by any significant stockholder, including, but not limited to, direct or indirect sales by members of management or our Board of Directors;
- the resignation, or other departure, of members of management or our Board of Directors;
- general negative conditions in the healthcare industry;
- pandemics or other global crises;
- general negative conditions in the financial markets;
- the cost associated with obtaining regulatory approval for any of our proprietary or partnered product candidates;
- the failure, for any reason, to secure or defend our intellectual property position;
- the failure or delay of applicable regulatory bodies to approve our proprietary or partnered product candidates;
- identification of safety or tolerability issues associated with our proprietary or partnered products or product candidates;

- failure of our or our partners' clinical trials to meet efficacy endpoints;
- suspensions or delays in the conduct of our or our partners' clinical trials or securing of regulatory approvals;
- adverse regulatory action with respect to our proprietary or partnered products and product candidates such as loss of regulatory approval to commercialize such products, clinical holds, imposition of onerous requirements for approval or product recalls;
- our failure, or the failure of our partners, to successfully commercialize products approved by applicable regulatory bodies such as the FDA;
- our failure, or the failure of our partners, to generate product revenues anticipated by investors;
- disruptions in our clinical or commercial supply chains, including disruptions caused by problems with a bulk rHuPH20 contract manufacturer or a fill and finish manufacturer for any product or product collaboration candidate;
- the sale of additional debt and/or equity securities by us;
- our failure to obtain financing on acceptable terms or at all;
- a restructuring of our operations;
- an inability to execute our share repurchase program in the time and manner we expect due to market, business, legal or other considerations; or
- a conversion of the Convertible Notes into shares of our common stock.

Future transactions where we raise capital may negatively affect our stock price.

We are currently a "Well-Known Seasoned Issuer" and may file automatic shelf registration statements at any time with the SEC. Sales of substantial amounts of shares of our common stock or other securities under any future shelf registration statements could lower the market price of our common stock and impair our ability to raise capital through the sale of equity securities.

Anti-takeover provisions in our charter documents, the Indentures and Delaware law may make an acquisition of us more difficult.

Anti-takeover provisions in our charter documents, the Indentures and Delaware law may make an acquisition of us more difficult. First, our Board of Directors is classified into three classes of directors. Under Delaware law, directors of a corporation with a classified board may be removed only for cause unless the corporation's certificate of incorporation provides otherwise. Our amended and restated certificate of incorporation does not provide otherwise. In addition, our bylaws limit who may call special meetings of stockholders, permitting only stockholders holding at least 50% of our outstanding shares to call a special meeting of stockholders. Our amended and restated certificate of incorporation does not include a provision for cumulative voting for directors. Under cumulative voting, a minority stockholder holding a sufficient percentage of a class of shares may be able to ensure the election of one or more directors. Finally, our bylaws establish procedures, including advance notice procedures, with regard to the nomination of candidates for election as directors and stockholder proposals.

These provisions in our charter documents may discourage potential takeover attempts, discourage bids for our common stock at a premium over market price or adversely affect the market price of, and the voting and other rights of the holders of, our common stock. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors other than the candidates nominated by our Board of Directors.

Further, in connection with our Convertible Notes issuances, we have entered into indentures, dated as of March 1, 2021 and August 18, 2022 (the"Indentures"), with The Bank of New York Mellon Trust Company, N.A., as trustee. Certain provisions in the Indentures could make it more difficult or more expensive for a third-party to acquire us. For example, if a takeover would constitute a fundamental change, holders of the Convertible Notes will have the right to require us to repurchase their Convertible Notes in cash. In addition, if a takeover constitutes a make-whole fundamental change, we may be required to increase the conversion rate for holders who convert their Convertible Notes in connection with such takeover. In addition, a change of control constitutes an event of default under our 2022 Credit Agreement. Such event of default could result in the administrative agent or the lender parties thereto declaring the unpaid principal, all accrued and unpaid interest, and all other amounts owing or payable under the 2022 Credit Agreement to be immediately due and payable. In either case, and in other cases, our obligations under the Convertible Notes, and the Indentures could increase the cost of acquiring us or otherwise discourage a third-party from acquiring us or removing incumbent management.

In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which may prohibit large stockholders from consummating a merger with, or acquisition of, us.

These provisions may deter an acquisition of us that might otherwise be attractive to stockholders.

Risks Related to Our Industry

Our and our partnered products must receive regulatory approval before they can be sold, and compliance with the extensive government regulations is expensive and time consuming and may result in the delay or cancellation of our or our partnered product sales, introductions or modifications.

Extensive industry regulation has had, and will continue to have, a significant impact on our business. All pharmaceutical and medical device companies, including ours, are subject to extensive, complex, costly and evolving regulation by the health regulatory agencies including the FDA (and with respect to controlled drug substances, the U.S. Drug Enforcement Administration (DEA)) and equivalent foreign regulatory agencies and state and local/regional government agencies. The Federal Food, Drug and Cosmetic Act, the Controlled Substances Act and other domestic and foreign statutes and regulations govern or influence the testing, manufacturing, packaging, labeling, storing, recordkeeping, safety, approval, advertising, promotion, sale and distribution of our products and our partners' products and product candidates. We are dependent on receiving FDA and other governmental approvals, including regulatory approvals in jurisdictions outside the United States, prior to manufacturing, marketing and shipping our products. Consequently, there is always a risk that the FDA or other applicable governmental authorities, including those outside the United States, will not approve our or our partners' products or may impose onerous, costly and time-consuming requirements such as additional clinical or animal testing. Regulatory authorities may require that our partners change our studies or conduct additional studies, which may significantly delay or make continued pursuit of approval commercially unattractive to our partners. For example, the approval of the HYQVIA BLA was delayed by the FDA until we and our partner provided additional preclinical data sufficient to address concerns regarding non-neutralizing antibodies to rHuPH20 that were detected in the registration trial. Although these antibodies have not been associated with any known adverse clinical effects, and the HYQVIA BLA was ultimately approved by the FDA, the FDA or other foreign regulatory agency may, at any time, halt our and our partners' development and commercialization activities due to safety concerns. In addition, even if our proprietary or partnered products are approved, regulatory agencies may also take post-approval action limiting or revoking our or our partners' ability to sell these products. Any of these regulatory actions may adversely affect the economic benefit we may derive from our proprietary or our partnered products and therefore harm our financial condition.

Under certain of these regulations, in addition to our partners, we and our contract suppliers and manufacturers are subject to periodic inspection of our or their respective facilities, procedures and operations and/or the testing of products by the FDA, the DEA and other authorities, which conduct periodic inspections to confirm that we and our contract suppliers and manufacturers are in compliance with all applicable regulations. The FDA also conducts pre-approval and post-approval reviews and plant inspections to determine whether our systems, or our contract suppliers' and manufacturers' processes, are in compliance with cGMP and other FDA regulations. If our partners, we, or our contract suppliers and manufacturers, fail these inspections, our partners may not be able to commercialize their products in a timely manner without incurring significant additional costs, or at all.

In addition, the FDA imposes a number of complex regulatory requirements on entities that advertise and promote pharmaceuticals including, but not limited to, standards and regulations for direct-to-consumer advertising, off-label promotion, industry-sponsored scientific and educational activities, and promotional activities involving the Internet.

Because some of our and our partners' products and product candidates are considered to be drug/device combination products, the approval and post-approval requirements that we and they are required to comply with can be more complex.

Many of our and our partners' products and product candidates are considered to be drug/device combination products by the FDA, consisting of a drug product and a drug delivery device. If marketed individually, each component would be subject to different regulatory pathways and reviewed by different centers within the FDA. A combination product, however, is assigned to a center that will have primary jurisdiction over its pre-market review and regulation based on a determination of the product's primary mode of action, which is the single mode of action that provides the most important therapeutic action. In the case of our and our partners' products and product candidates, the primary mode of action is typically attributable to the drug component of the products, which means that the Center of Drug Evaluation and Research has primary jurisdiction over the products' premarket development and review. These products and product candidates will be and have been subject to the FDA drug approval process and will not require a separate FDA clearance or approval for the device component. Even though these products and product candidates will not require a separate FDA clearance or approval, both the drug and device centers within the FDA will review the marketing application for safety, the efficacy of both the drug and device component, including the design and reliability of the injector, and a number of other different areas, such as to ensure that the drug labeling adequately discloses all relevant information and risks, and to confirm that the instructions for use are accurate and easy to use. These reviews could increase the time needed for review completion of a successful application and may require additional studies, such as usage studies, to establish the validity of the instructions for use. Such reviews and requirements may extend the time necessary for the approval of drug-device combinations. In the case of combination product candidates for which we or our partners are seeking approval via the ANDA pathway, it is also possible that the agency may decide that the unique nature of combination products leads it to question the claims of bioequivalence and/or same labeling, resulting in the need to refile the application under Section 505(b)(2) of the Federal Food, Drug and Cosmetic Act. This may result in delays in product approval and may cause us or our partners to incur additional costs associated with testing, including clinical trials. Approval via the 505(b)(2) pathway may also result in additional selling expenses and a decrease in market acceptance due to the lack of substitutability by pharmacies or formularies. In addition, approval under the 505(b)(2) or ANDA regulatory pathway is not a guarantee of an exclusive position for the approved product in the marketplace.

Further, although precedent and guidance exist for the approval of such combination products, the FDA could change what it requires or how it reviews submissions. Changes in review processes or the requirement for the study of combination products could delay anticipated launch dates or be cost prohibitive. Such delay or failure to launch these products or devices could adversely affect our revenues and future profitability. If our or our partners' combination product candidates are approved, we, our partners, and any of our respective contractors will be required to comply with FDA regulatory requirements related to both drugs and devices. For instance, drug/device combination products must comply with both the drug cGMPs and device QSRs. Depending on whether the drug and device components are at the same facility, however, the FDA regulations provide a streamlined method to comply with both sets of requirements. The FDA has specifically promulgated guidance on injectors, which discuss the FDA's requirements with respect to marketing application and post-market injector design controls and reliability analyses. Additionally, drug/device combination products will be subject to additional FDA and constituent part reporting requirements. Compliance with these requirements will require additional effort and monetary expenditure.

We may be subject, directly or indirectly, to various broad federal and state healthcare laws. If we are unable to comply, or have not fully complied, with such laws, we could face civil, criminal and administrative penalties, damages, monetary fines, disgorgement, possible exclusion from participation in Medicare, Medicaid and other federal healthcare programs, contractual damages, reputational harm, diminished profits and future earnings and curtailment or restructuring of our operations, any of which could adversely affect our ability to operate.

Our business operations and activities may be directly, or indirectly, subject to various broad federal and state healthcare laws, including without limitation, anti-kickback laws, the Foreign Corrupt Practices Act (FCPA), false claims laws, civil monetary penalty laws, data privacy and security laws, tracing and tracking laws, as well as transparency (or "sunshine") laws regarding payments or other items of value provided to healthcare providers. These laws may restrict or prohibit a wide range of business activities, including, but not limited to, research, manufacturing, distribution, pricing, discounting, marketing and promotion and other business arrangements. These laws may impact, among other things, our current activities with principal investigators and research subjects, as well as sales, marketing and education programs. Many states have similar healthcare fraud and abuse laws, some of which may be broader in scope and may not be limited to items or services for which payment is made by a government health care program.

Efforts to ensure that our business arrangements will comply with applicable healthcare laws may involve substantial costs. While we have adopted a healthcare corporate compliance program, it is possible that governmental and enforcement authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law interpreting applicable fraud and abuse or other healthcare laws. If our operations or activities are found to be in violation of any of the laws described above or any other governmental regulations that apply to us, we may be subject to, without limitation, civil, criminal and administrative penalties, damages, monetary fines, disgorgement, possible exclusion from participation in Medicare, Medicaid and other federal healthcare programs, contractual damages, reputational harm, diminished profits and future earnings and curtailment or restructuring of our operations, any of which could adversely affect our ability to operate.

In addition, any sales of products outside the U.S. will also likely subject us to the FCPA and foreign equivalents of the healthcare laws mentioned above, among other foreign laws.

We may be required to initiate or defend against legal proceedings related to intellectual property rights, which may result in substantial expense, delay and/or cessation of certain development and commercialization of our products.

We primarily rely on patents to protect our intellectual property rights. The strength of this protection, however, is uncertain. For example, it is not certain that:

- we will be able to obtain patent protection for our products and technologies;
- the scope of any of our issued patents will be sufficient to provide commercially significant exclusivity for our products and technologies;
- others will not independently develop similar or alternative technologies or duplicate our technologies and obtain patent protection before we do; and
- any of our issued patents, or patent pending applications that result in issued patents, will be held valid, enforceable and infringed in the event the patents are asserted against others.

We currently own or license patents in a portfolio and also have pending patent applications applicable to rHuPH20 and other proprietary materials. There can be no assurance that our existing patents, or any patents issued to us as a result of our pending patent applications, will provide a basis for commercially viable products, will provide us with any competitive advantages, or will not face third-party challenges or be the subject of further proceedings limiting their scope or enforceability. Any weaknesses or limitations in our patent portfolio could have a material adverse effect on our business and financial condition. In addition, if our pending patent applications do not result in issued patents, or result in issued patents with narrow or limited claims, this could result in us having no or limited protection against generic or biosimilar competition against our product candidates which would have a material adverse effect on our business and financial condition.

We or our partners may become involved in interference proceedings in the U.S. Patent and Trademark Office, or other proceedings in other jurisdictions, to determine the priority, validity or enforceability of our patents or our partners' patents related to our collaborations. For example, as a result of one such proceeding, in March 2023 the Opposition Division of the European Patent Office revoked one of Janssen's co-formulation patents for DARZALEX® (daratumumab) SC. In addition, costly litigation could be necessary to protect our patent position. Successful challenges to the priority, validity or enforceability of our or our partners' patents could have a material adverse effect on our business and financial condition.

We also rely on trade secrets, unpatented proprietary know-how and continuing technological innovation that we seek to protect with confidentiality agreements with employees, consultants and others with whom we discuss our business. Disputes may arise concerning the ownership of intellectual

property or the applicability or enforceability of agreements covering these rights, and we might not be able to resolve these disputes in our favor.

We also rely on trademarks to protect the names of our products (e.g. Hylenexrecombinant). We may not be able to obtain trademark protection for any proposed product names we select. In addition, product names for pharmaceutical products must be approved by health regulatory authorities such as the FDA in addition to meeting the legal standards required for trademark protection and product names we propose may not be timely approved by regulatory agencies which may delay product launch. In addition, our trademarks may be challenged by others. If we enforce our trademarks against third parties, such enforcement proceedings may be expensive.

In addition to protecting our own intellectual property rights, third parties may assert patent, trademark or copyright infringement or other intellectual property claims against us. If we become involved in any intellectual property litigation, we may be required to pay substantial damages, including but not limited to treble damages, attorneys' fees and costs, for past infringement if it is ultimately determined that our products infringe a third-party's intellectual property rights. Even if infringement claims against us are without merit, defending a lawsuit takes significant time, may be expensive and may divert management's attention from other business concerns. Further, in the case of an injunction, we could be stopped from developing, manufacturing or selling our products until we obtain a license from the owner of the relevant technology or other intellectual property rights. If such a license is available at all, it may require us to pay royalties or other fees.

We may incur significant liability if it is determined that we are promoting or have in the past promoted the "off-label" use of drugs or medical devices, or otherwise promoted or marketed approved products in a manner inconsistent with the FDA's requirements.

In the U.S. and certain other jurisdictions, companies may not promote drugs or medical devices for "off-label" uses, that is, uses that are not described in the product's labeling and that differ from those that were approved or cleared by the FDA or other foreign regulatory agencies. However, physicians and other healthcare practitioners may prescribe drug products and use medical devices for off-label or unapproved uses, and such uses are common across some medical specialties. Although the FDA does not regulate a physician's choice of medications, treatments or product uses, the Federal Food, Drug and Cosmetic Act and FDA regulations significantly restrict permissible communications on the subject of off-label uses of drug products and medical devices by pharmaceutical and medical device companies. As the sponsors of FDA approved products, we and our partners will not only be responsible for the actions of the companies but also can be held liable for the actions of employees and contractors, requiring that all employees and contractors engaging in regulated functions, such as product promotion, be adequately trained and monitored, which requires time and monetary expenditures.

If the FDA determines that a company has improperly promoted a product "off label" or otherwise not in accordance with the agency's promotional requirements, the FDA may issue a warning letter or seek other enforcement action to limit or restrict certain promotional activities or materials or seek to have product withdrawn from the market or seize product, among other enforcement requirements. In addition, a company that is found to have improperly promoted off-label uses may be subject to significant liability, including civil fines, criminal fines and penalties, civil damages and exclusion from federal funded healthcare programs such as Medicare and Medicaid and/or government contracting, consent decrees and corporate integrity agreements, as well as potential liability under the federal FCA and applicable state false claims acts. Conduct giving rise to such liability could also form the basis for private civil litigation by third-party payers or other persons allegedly harmed by such conduct.

Moreover, in addition to the regulatory restrictions on off-label promotion, there are other FDA restrictions on and requirements concerning product promotion and advertising, such as requirements that such communications be truthful and non-misleading and adequately supported. The FDA also has requirements concerning the distribution of drug samples. The FDA and other authorities may take the position that we are not in compliance with promotional, advertising, and marketing requirements, and, if such non-compliance is proven, we may be subject to significant liability, including but not limited to administrative, civil and criminal penalties and fines, in addition to regulatory enforcement actions.

For certain of our products, we and our independent contractors, distributors, prescribers, and dispensers are required to comply with regulatory requirements related to controlled substances, which will require the expenditure of additional time and will incur additional expenses to maintain compliance and may subject us to additional penalties for noncompliance, which could inhibit successful commercialization.

Certain of our products are controlled substances and accordingly, we, and our contractors, distributors, prescribers, and dispensers must comply with Federal controlled substances laws and regulations, enforced by the U.S. Drug Enforcement Administration ("DEA"), as well as state-controlled substances laws and regulations enforced by state authorities. These requirements include, but are not limited to, registration, security, recordkeeping, reporting, storage, distribution, importation, exportation, inventory, and other requirements. These requirements are enforced by the DEA through periodic inspections. Not only must continuous controlled substance registration be maintained, but compliance with the applicable controlled substance requirements will require significant efforts and expenditures, which could also inhibit successful commercialization. These compliance requirements also add complexity to the distribution, prescribing and dispensing of certain of our products that may also impact commercialization, including the establishment of anti-diversion procedures. If we and our contractors, distributors, prescribers, and dispensers do not comply with the applicable controlled substance requirements, we or they may be subject to administrative, civil or criminal enforcement, including civil penalties, refusals to renew necessary registrations, revocation of registrations, criminal proceedings, or consent decrees.

Patent protection for biotechnology inventions and for inventions generally is subject to significant scrutiny; if patent laws or the interpretation of patent laws change, our business may be adversely impacted because we may lose the ability to obtain patent protection or enforce our intellectual property rights against competitors who develop and commercialize products based on our discoveries.

Patent protection in general, including for protein-based products is based on evolving complex legal principles and factual questions, which introduce uncertainties as to patentability, patent scope, validity and enforcement. In recent years, there have been significant changes in patent law, including the legal standards that govern the patentability and scope of biotechnology patents. Recent court decisions have made it more difficult to obtain patents, by making it more difficult to satisfy the patentable subject matter requirements, disclosure and enablement requirements, and the non-obviousness requirement;

decreasing the availability of injunctions against infringers; and increasing the likelihood of challenging the validity of a patent through a declaratory judgment action. Taken together, these decisions could make it more difficult and costly for us to obtain, license and enforce our patents. In addition patents may be challenged through post-grant opposition proceedings and be subject to a prior user defense to infringement. There also have been, and continue to be, policy discussions concerning the scope of patent protection, including for biotechnology inventions. Social and political opposition to biotechnology patents may lead to narrower patent protection within the biotechnology industry. Judicial and legislative changes introduce significant uncertainty in the patent law landscape and may potentially negatively impact our ability to procure, maintain and enforce patents to provide exclusivity for our products and may allow others to use our discoveries to develop and commercialize competitive products, which could impair our business.

If third-party reimbursement and customer contracts are not available, our proprietary and partnered products may not be accepted in the market resulting in commercial performance below that which was expected or projected.

Our and our partners' ability to earn sufficient returns on proprietary and partnered products will depend in part on the extent to which reimbursement for these products and related treatments will be available from government health administration authorities, private health insurers, managed care organizations and other healthcare providers.

Third-party payers are increasingly attempting to limit both the coverage and the level of reimbursement of new drug products to contain costs. Consequently, significant uncertainty exists as to the reimbursement status of newly approved healthcare products. Third-party payers may not establish adequate levels of reimbursement for the products that we and our partners commercialize, which could limit their market acceptance and result in a material adverse effect on our revenues and financial condition.

Customer contracts, such as with group purchasing organizations and hospital formularies, will often not offer contract or formulary status without either the lowest price or substantial proven clinical differentiation. If, for example, Hylenex is compared to animal-derived hyaluronidases by these entities, it is possible that neither of these conditions will be met, which could limit market acceptance and result in a material adverse effect on our revenues and financial condition.

The rising cost of healthcare and related pharmaceutical product pricing has led to cost containment pressures from third-party payers as well as changes in federal coverage and reimbursement policies and practices that could cause us and our partners to sell our products at lower prices, and impact access to our and our partners' products, resulting in less revenue to us.

Any of our proprietary or partnered products that have been, or in the future are, approved by the FDA may be purchased or reimbursed by state and federal government authorities, private health insurers and other organizations, such as health maintenance organizations and managed care organizations. Such third-party payers increasingly challenge pharmaceutical product pricing. The trend toward managed healthcare in the U.S., the growth of such organizations, and various legislative proposals and enactments to reform healthcare and government insurance programs, including the Medicare Prescription Drug Modernization Act of 2003 and the Affordable Care Act of 2010 (ACA), could significantly influence the manner in which pharmaceutical products are prescribed and purchased, resulting in lower prices and/or a reduction in demand. Such cost containment measures and healthcare reforms could adversely affect our ability to sell our product and our partners' ability to sell their products.

In the U.S., our business may be impacted by changes in federal reimbursement policy resulting from executive actions, federal regulations, or federal demonstration projects.

The federal administration and/or agencies, such as the Centers for Medicare & Medicaid Services, or CMS, have announced a number of demonstration projects, recommendations and proposals to implement various elements described in the drug pricing blueprint. CMS, the federal agency responsible for administering Medicare and overseeing state Medicaid programs and Health Insurance Marketplaces, has substantial power to implement policy changes or demonstration projects that can quickly and significantly affect how drugs, including our products, are covered and reimbursed. For example, in November 2020, former President Trump announced the interim final rule to implement the Most Favored Nations drug pricing model seeking to tie Medicare payment rates to an international index price. This final rule was subsequently rescinded by CMS. Additionally, a number of Congressional committees have also held hearings and evaluated proposed legislation on drug pricing and payment policy which may affect our business. For example, in July 2019, the Senate Finance Committee advanced a bill that in part would penalize pharmaceutical manufacturers for increasing drug list prices covered by Medicare Part B and Part D, faster than the rate of inflation, and cap out-of-pocket expenses for Medicare Part D beneficiaries. Several other proposals have been introduced that, if enacted and implemented, could affect access to and sales of our and our partners' products, allow the federal government to engage in price negotiations on certain drugs, and allow importation of prescription medication from Canada or other countries. For example, in August 2022, "The Inflation Reduction Act of 2022" was enacted which will, among other things, allow and require the federal government to negotiate prices for some drugs covered under Medicare Part B and Part D, require drug companies to pay rebates to Medicare if prices rise faster than inflation for drugs used by Medicare beneficiaries and cap out-of-pocket spending for individuals enrolled in Medicare Part D.

In this dynamic environment, we are unable to predict which or how many federal policy, legislative or regulatory changes may ultimately be enacted. To the extent federal government initiatives decrease or modify the coverage or reimbursement available for our or our partners' products, limit or impact our decisions regarding the pricing of biopharmaceutical products or otherwise reduce the use of our or our partners' U.S. products, such actions could have a material adverse effect on our business and results of operations.

Furthermore, individual states are considering proposed legislation and have become increasingly aggressive in passing legislation and implementing regulations designed to control pharmaceutical product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access, importation from other countries and bulk purchasing. Legally mandated price controls on payment amounts by third-party payers or other restrictions

could negatively and materially impact our revenues and financial condition. We anticipate that we may encounter similar regulatory and legislative issues in most other countries outside the U.S.

In addition, private payers in the U.S., including insurers, pharmacy benefit managers (PBMs), integrated healthcare delivery systems, and group purchasing organizations, are continuously seeking ways to reduce drug costs. Many payers have developed and continue to develop ways to shift a greater portion of drug costs to patients through, for example, limited benefit plan designs, high deductible plans and higher co-pay or coinsurance obligations. Consolidation in the payer space has also resulted in a few large PBMs and insurers which place greater pressure on pricing and utilization negotiations for our and our partners' products in the U.S., increasing the need for higher discounts and rebates and limiting patient access and utilization. Ultimately, additional discounts, rebates and other price reductions, fees, coverage and plan changes, or exclusions imposed by these private payers on our and our partners' products could have an adverse event on product sales, our business and results of operations.

To help patients afford certain of our products, we offer discount, rebate, and co-pay coupon programs. CMS recently has issued a regulation imposing additional obligations on manufacturers in order to continue excluding such programs from government pricing calculations to avoid payment of increased Medicaid rebates. In recent years, other pharmaceutical manufacturers have been named in class action lawsuits challenging the legality of their co-pay programs under a variety of federal and state laws. Our co-pay coupon programs could become the target of similar lawsuits or insurer actions. It is possible that the outcome of litigation against other manufacturers, changes in insurer policies regarding co-pay coupons, and/or the introduction and enactment of new legislation or regulatory action could restrict or otherwise negatively affect these programs.

We also face risks relating to the reporting of pricing data that affects the reimbursement of and discounts provided for our products. Government price reporting regulations are complex and may require a manufacturer to update certain previously submitted data. If our submitted pricing data are incorrect, we may become subject to substantial fines and penalties or other government enforcement actions, which could have a material adverse effect on our business and results of operations. In addition, as a result of restating previously reported price data, we also may be required to pay additional rebates and provide additional discounts.

We face competition and rapid technological change that could result in the development of products by others that are competitive with our proprietary and partnered products, including those under development.

Our proprietary and partnered products have numerous competitors in the U.S. and abroad including, among others, major pharmaceutical and specialized biotechnology firms, universities and other research institutions that have developed competing products. Many of these competitors have substantially more resources and product development, manufacturing and marketing experience and capabilities than we do. The competitors for Hylenexrecombinant include, but are not limited to, Bausch Health Companies, Inc.'s FDA-approved product, Vitrase®, an ovine (ram) hyaluronidase, and Amphastar Pharmaceuticals, Inc.'s product, Amphadase®, a bovine (bull) hyaluronidase. For our ENHANZE technology, such competitors may include major pharmaceutical and specialized biotechnology firms. These competitors may develop technologies and products that are more effective, safer, or less costly than our current or future proprietary and partnered products and product candidates or that could render our and our partners' products, technologies and product candidates obsolete or noncompetitive.

General Risks

If we are unable to attract, hire and retain key personnel our business could be negatively affected.

Our success depends on the performance of key employees with relevant experience. We depend substantially on our ability to hire, train, motivate and retain high quality personnel. If we are unable to identify, hire and retain qualified personnel, our ability to support current and future alliances with strategic partners could be adversely impacted. Our use of domestic and international third-party contractors, consultants and staffing agencies also subjects us to potential co-employment liability claims.

Furthermore, if we were to lose key personnel, we may lose some portion of our institutional knowledge and technical know-how, potentially causing a disruption or delay in one or more of our partnered development programs until adequate replacement personnel could be hired and trained. In addition, we do not have key person life insurance policies on the lives of any of our employees which would help cover the cost of associated with the loss of key employees.

Our operations might be interrupted by the occurrence of a natural disaster or other catastrophic event.

Our operations, including laboratories, offices and other research facilities, are headquartered in San Diego, California. We have additional facilities in Ewing, New Jersey and Minnetonka, Minnesota. We depend on our facilities and on our collaborators, contractors and vendors for the continued operation of our business. Natural disasters or other catastrophic events, pandemics, interruptions in the supply of natural resources, political and governmental changes, wildfires and other fires, tornadoes, floods, explosions, actions of animal rights activists, earthquakes and civil unrest could disrupt our operations or those of our partners, contractors and vendors. Even though we believe we carry commercially reasonable business interruption and liability insurance, and our contractors may carry liability insurance that protect us in certain events, we may suffer losses as a result of business interruptions that exceed the coverage available under our and our contractors' insurance policies or for which we or our contractors do not have coverage. Any natural disaster or catastrophic event could have a significant negative impact on our operations and financial results. Moreover, any such event could delay our partners' research and development programs.

Cyberattacks, security breaches or system breakdowns may disrupt our operations and harm our operating results and reputation.

We and our partners are subject to increasingly sophisticated attempts to gain unauthorized access to our information technology storage and access systems and are devoting resources to protect against such intrusion. Cyberattacks could render us or our partners unable to utilize key systems or access

important data needed to operate our business. The wrongful use, theft, deliberate sabotage or any other type of security breach with respect to any of our or any of our vendors and partners' information technology storage and access systems could result in the breakdown or other service interruption, or the disruption of our ability to use such systems or disclosure or dissemination of proprietary and confidential information that is electronically stored, including intellectual property, trade secrets, financial information, regulatory information, strategic plans, sales trends and forecasts, litigation materials or personal information belonging to us, our staff, our patients, customers and/or other business partners which could result in a material adverse impact on our business, operating results and financial condition. We continue to invest in monitoring, and other security and data recovery measures to protect our critical and sensitive data and systems. However, these may not be adequate to prevent or fully recover systems or data from all breakdowns, service interruptions, attacks or breaches of our systems. In addition, our cybersecurity insurance may not be sufficient to cover us against liability related to any such breaches. Furthermore, any physical break-in or trespass of our facilities could result in the misappropriation, theft, sabotage or any other type of security breach with respect to our proprietary and confidential information, including research or clinical data or damage to our research and development equipment and assets. Such adverse effects could be material and irrevocable to our business, operating results, financial condition and reputation.

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, 2023 March 31, 2024.

As of September 30, 2023 March 31, 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, 2023 March 31, 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, 2023 March 31, 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

We There have provided updated Risk Factors in been no material changes to the section labeled risk factors set forth under Part I, Item 1A. "Risk Factors" in Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations". We do not believe the updates have materially changed the risk factors disclosures as previously stated in our most recent Annual Report on Form 10-K. 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. There were no We accelerated the initiation of our planned 2024 share repurchases for and in November 2023, we entered into an ASR agreement with Bank of America, N.A. to accelerate the three months ended September 30, 2023. As of September 30, 2023, remaining $250.0 million of outstanding stock is available to be purchased share repurchases under the approved capital return program. Pursuant to the agreement, at the inception of the ASR, we paid $250.0 million to Bank of America, N.A. and took initial delivery of 5.5 million 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.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the three months fiscal quarter ended September 30, 2023 ended March 31, 2024, no director or officer the following officers adopted or terminated any 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.

Name and Title	Action	Date	Trading Arrangement		Total Shares To Be Sold		Expiration Date
			Rule 10b5-1*	Non-Rule 10b5-1**			
Helen Torley President and Chief Executive Officer	Termination	1/30/2024	X		500,000		Terminated(1)
Helen Torley President and Chief Executive Officer	Adoption	3/22/2024	X		110,000	(2)	The earlier of 02/13/2025 or date all shares are sold
Nicole LaBrosse Senior Vice President and Chief Financial Officer	Adoption	3/22/2024	X		35,000	(2)	The earlier of 06/25/2025 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.

(1) The duration of the trading arrangement was until May 30, 2024, or earlier if all transaction under the trading arrangement had been completed. At the time of termination, no shares had been sold under the trading arrangement.

(2) Represents a sale of common shares acquired upon exercise of stock options with ten-year term expiring in 2025.

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 May 3, 2019 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.,
a Delaware corporation
(Registrant)

Dated: November 6, 2023 May 7, 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: November 6, 2023 May 7, 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: November 6, 2023 May 7, 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: November 6, 2023 May 7, 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, 2023 March 31, 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: November 6, 2023 May 7, 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, 2023 March 31, 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: November 6, 2023 May 7, 2024

/s/ Nicole LaBrosse

Nicole LaBrosse

Senior Vice President and Chief Financial Officer

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