

OncoMed Pharmaceuticals Inc
Form 10-Q
November 05, 2015

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, 2015

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: 001-35993

OncoMed Pharmaceuticals, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	38-3572512
(State or Other Jurisdiction of	(I.R.S. Employer
Incorporation or Organization)	Identification No.)
800 Chesapeake Drive	
Redwood City, California	94063

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(Address of Principal Executive Offices) (Zip Code)

(650) 995-8200

(Registrant's Telephone Number, Including Area Code)

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

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

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

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

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

As of November 2, 2015, the number of outstanding shares of the registrant's common stock, par value \$0.001 per share, was 30,108,723.

ONCOMED PHARMACEUTICALS, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

OncoMed Pharmaceuticals, Inc.

Condensed Balance Sheets

(In thousands, except share and per share amounts)

	September 30, 2015 (Unaudited)	December 31, 2014 (Note 2)
Assets		
Current assets:		
Cash and cash equivalents	\$ 31,280	\$ 28,138
Short-term investments	143,925	203,828
Accounts receivable and other receivables	315	42
Tax receivable	—	7,102
Prepaid and other current assets	1,785	1,700
Total current assets	177,305	240,810
Property and equipment, net	5,065	5,104
Other assets	2,204	1,928
Total assets	\$ 184,574	\$ 247,842
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 3,441	\$ 4,428
Accrued liabilities	18,424	14,683
Current portion of deferred revenue	15,102	18,747
Current portion of deferred rent	723	678
Liability for shares issued with repurchase rights	7	10
Total current liabilities	37,697	38,546
Deferred revenue, less current portion	119,708	130,123
Deferred rent, less current portion	1,915	2,468
Non-current income tax payable	369	334
Liability for shares issued with repurchase rights, less current portion	—	4
Total liabilities	159,689	171,475
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized at September 30, 2015		
and December 31, 2014; no shares issued and outstanding at September 30, 2015		
and December 31, 2014	—	—
Common stock, \$0.001 par value; 145,000,000 shares authorized at September 30,	30	30

2015 and December 31, 2014; 30,096,479 shares and 29,847,577 shares issued and

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outstanding at September 30, 2015 and December 31, 2014, respectively

Additional paid-in capital	309,796	300,790
Accumulated other comprehensive income (loss)	124	(17)
Accumulated deficit	(285,065)	(224,436)
Total stockholders' equity	24,885	76,367
Total liabilities and stockholders' equity	\$ 184,574	\$ 247,842

See accompanying notes.

OncoMed Pharmaceuticals, Inc.

Condensed Statements of Operations

(Unaudited)

(In thousands, except share and per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Collaboration revenue:	\$4,687	\$19,015	\$19,060	\$31,044
Operating expenses:				
Research and development	24,712	21,000	66,190	55,876
General and administrative	4,536	3,515	13,607	10,167
Total operating expenses	29,248	24,515	79,797	66,043
Loss from operations	(24,561)	(5,500)	(60,737)	(34,999)
Interest and other income, net	94	49	143	82
Loss before provision for income taxes	(24,467)	(5,451)	(60,594)	(34,917)
Provision for income taxes	12	35	35	37
Net loss	\$(24,479)	\$(5,486)	\$(60,629)	\$(34,954)
Net loss per common share, basic and diluted	\$(0.81)	\$(0.18)	\$(2.02)	\$(1.18)
Shares used to compute net loss per common share, basic and diluted	30,072,662	29,773,385	30,001,697	29,607,085

See accompanying notes.

OncoMed Pharmaceuticals, Inc.

Condensed Statements of Comprehensive Loss

(Unaudited)

(In thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net loss	\$ (24,479)	\$ (5,486)	\$ (60,629)	\$ (34,954)
Other comprehensive income:				
Unrealized gain on available-for-sale securities,				
net of tax	20	45	141	20
Total comprehensive loss	\$ (24,459)	\$ (5,441)	\$ (60,488)	\$ (34,934)

See accompanying notes.

OncoMed Pharmaceuticals, Inc.

Condensed Statements of Cash Flows

(Unaudited)

(In thousands)

	Nine Months Ended September 30,	
	2015	2014
Operating activities		
Net loss	\$(60,629)	\$(34,954)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,216	1,055
Gain on disposal of equipment	—	(63)
Stock-based compensation	7,315	4,198
Amortization of discount on short-term investments	(135)	9
Changes in operating assets and liabilities:		
Accounts receivable and other receivables	(273)	(2,049)
Tax receivable	7,102	(2,562)
Prepaid and other current assets	(85)	(1,046)
Other assets	(276)	2,405
Accounts payable	(987)	(1,911)
Accrued liabilities and other	3,776	5,339
Deferred revenue	(14,060)	(29,045)
Deferred rent	(508)	(467)
Income tax payable	—	(9,952)
Net cash used in operating activities	(57,544)	(69,043)
Investing activities		
Purchases of property and equipment	(1,178)	(1,316)
Purchases of short-term investments	(118,820)	(411,877)
Maturities of short-term investments	179,000	301,271
Net cash provided by (used in) investing activities	59,002	(111,922)
Financing activities		
Proceeds from issuance of common stock related to the exercise of options and		
employee stock plan purchases	1,684	2,029
Net cash provided by financing activities	1,684	2,029
Net increase (decrease) in cash and cash equivalents	3,142	(178,936)
Cash and cash equivalents at beginning of period	28,138	208,931
Cash and cash equivalents at end of period	\$31,280	\$29,995

See accompanying notes.

OncoMed Pharmaceuticals, Inc.

Notes to the Unaudited Condensed Financial Statements

1. Organization

OncoMed Pharmaceuticals, Inc. (“OncoMed” or the “Company”) is a clinical-stage biotechnology company focused on discovering and developing first-in-class anti-cancer stem cell (“CSC”) and immuno-oncology therapeutics. The Company was originally incorporated in July 2004 in Delaware. The Company’s operations are based in Redwood City, California, and the Company operates in one segment.

The Company has seven anti-CSC product candidates in clinical development and several preclinical programs targeting cancer stem cell pathways or novel immuno-oncology targets. The first product candidate currently in clinical development, demcizumab (anti-DLL4, OMP-21M18), is in two Phase II randomized trials in non-small cell lung cancer (with carboplatin and pemetrexed) and pancreatic cancer (with gemcitabine and Abraxane®). The second product candidate, tarextumab (anti-Notch2/3, OMP-59R5), is currently in the Phase II portion of a Phase Ib/II trial in pancreatic cancer (with gemcitabine and Abraxane®) and also in the Phase II portion of a Phase Ib/II trial in small cell lung cancer (with etoposide and platinum chemotherapy). The Company’s third product candidate, vantictumab (anti-Fzd7, OMP-18R5), is currently in three separate Phase Ib combination trials, one trial each in patients with breast cancer (with paclitaxel), pancreatic cancer (with gemcitabine and Abraxane®) and non-small cell lung cancer (with docetaxel). The fourth product candidate, ipafricept (Fzd8-Fc, OMP-54F28), is in three separate Phase Ib combination trials, one trial each in patients with ovarian cancer (with carboplatin and paclitaxel), pancreatic cancer (with gemcitabine and Abraxane®) and hepatocellular carcinoma (with sorafenib). The Company’s fifth product candidate, brontictuzumab (anti-Notch1, OMP-52M51), is in two single-agent Phase Ia safety and dose escalation trials in hematologic and solid tumor malignancies. The sixth product candidate, anti-DLL4/VEGF bispecific (OMP-305B83), is currently in a single-agent Phase Ia trial in advanced solid tumor patients. The seventh product candidate is anti-RSPO3 (OMP-131R10). In July 2015, the Company announced the dosing of the first patient in the anti-RSPO3 Phase Ia/Ib clinical trial, which is initially enrolling patients with advanced refractory solid tumors.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Company’s financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) and following the requirements of the Securities and Exchange Commission (the “SEC”) for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by U.S. GAAP can be condensed or omitted. These financial statements have been prepared on the same basis as the Company’s annual financial statements and, in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments, that are necessary for a fair statement of the Company’s financial information. These interim results are not necessarily indicative of the results to be expected for the year ending December 31, 2015 or for any other interim period or for any other future year. The balance sheet as of December 31,

2014 has been derived from audited financial statements at that date but does not include all of the information required by U.S. GAAP for complete financial statements.

The accompanying condensed financial statements and related financial information should be read in conjunction with the audited financial statements and the related notes thereto contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014, filed with the SEC on March 12, 2015.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the amounts reported in the financial statements and accompanying notes. On an ongoing basis, management evaluates its estimates, including those related to revenue recognition, preclinical study and clinical trial accruals, fair value of assets and liabilities, income taxes, and stock-based compensation. Management bases its estimates on historical experience and on various other market-specific and relevant assumptions that management believes to be reasonable under the circumstances. Actual results may differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of 90 days or less at the date of purchase to be cash and cash equivalents.

Short-Term Investments

Short-term investments consist of debt securities classified as available-for-sale and have maturities greater than 90 days, but less than 365 days from the date of acquisition. Short-term investments are carried at fair value based upon quoted market prices. Unrealized gains and losses on available-for-sale securities are excluded from earnings and reported as a component of accumulated other comprehensive income (loss). The cost of available-for-sale securities sold is based on the specific-identification method.

Revenue Recognition

The Company generates substantially all its revenue from collaborative research and development agreements with pharmaceutical companies. The terms of the agreements may include nonrefundable upfront payments, milestone payments, other contingent payments and royalties on any product sales derived from collaborations. These multiple element arrangements are analyzed to determine whether the deliverables can be separated or whether they must be accounted for as a single unit of accounting.

The determination of stand-alone value is generally based on whether any deliverable has stand-alone value to the customer. The Company determines how to allocate arrangement consideration to identified units of accounting based on the selling price hierarchy provided under the relevant guidance. The selling price used for each unit of accounting is based on vendor-specific objective evidence, if available, third-party evidence if vendor-specific objective evidence is not available or estimated selling price if neither vendor-specific nor third-party evidence is available. Management may be required to exercise considerable judgment in determining whether a deliverable is a separate unit of accounting and in estimating the selling prices of identified units of accounting for new agreements.

Typically, the Company has not granted licenses to collaborators at the beginning of its arrangements and thus there are no delivered items separate from the research and development services provided. As such, upfront payments are recorded as deferred revenue in the balance sheet and are recognized as collaboration revenue over the estimated period of performance that is consistent with the terms of the research and development obligations contained in the collaboration agreement. The Company regularly reviews the estimated period of performance based on the progress made under each arrangement.

The Company evaluated the status of its obligations to Bayer in the first quarter of 2015 and determined that the estimated period to complete the Company's performance of all remaining obligations was in December 2015. As a result, the estimated period of performance was extended by six months from June 2015 to December 2015. Accordingly, the Company started recognizing the remaining unamortized portion of deferred revenue over the revised estimated period of performance on a prospective basis. In the fourth quarter of 2015, the Company evaluated the status of its obligations to Bayer and extended the estimated period to complete the Company's performance of all remaining obligations to March 2016. Accordingly, the Company will recognize the remaining unamortized portion of deferred revenue over the revised estimated period of performance on a prospective basis.

Payments that are contingent upon achievement of a substantive milestone are recognized in their entirety in the period in which the milestone is achieved. Milestones are defined as an event that can only be achieved based on the Company's performance and there is substantive uncertainty about whether the event will be achieved at the inception of the arrangement. Events that are contingent only on the passage of time or only on counterparty performance are not considered milestones. Further, the amounts received must relate solely to prior performance, be reasonable relative to all of the deliverables and payment terms within the agreement and commensurate with the Company's performance to achieve the milestone after commencement of the agreement. Other contingent payments received for which payment is contingent solely on the results of a collaborative partner's performance (e.g. bonus payments) are not accounted for using the milestone method. As all contingent consideration payments are based solely on the

performance of the collaborative partner, the Company would recognize the contingent payments upon receipt immediately as collaboration revenue if the Company had no further performance obligations under the agreement with the partner.

Payments related to options to license the Company's program candidates are considered substantive if, at the inception of the arrangement, the Company is at risk as to whether the collaboration partner will choose to exercise the option. Factors that the Company considers in evaluating whether an option is substantive include the overall objective of the arrangement, the benefit the collaborator might obtain from the arrangement without exercising the option, the cost to exercise the option and the likelihood that the option will be exercised. For arrangements under which an option is considered substantive, the Company does not consider the item underlying the option to be a deliverable at the inception of the arrangement and the associated option fees are not included in allocable arrangement consideration, assuming the option is not priced at a significant and incremental discount. Conversely, for arrangements under which an option is not considered substantive or if an option is priced at a significant and incremental discount, the Company would consider the item underlying the option to be a deliverable at the inception of the arrangement and a corresponding amount would be included in allocable arrangement consideration.

Customer Concentration

Customers whose collaboration revenue accounted for 10% or more of total revenues were as follows:

	Three Months Ended September 30, 2015		2014		Nine Months Ended September 30, 2015		2014	
GlaxoSmithKline LLC ("GSK")	*		60	%	31	%	38	%
Bayer Pharma AG ("Bayer")	24	%	23	%	18	%	30	%
Celgene Corporation ("Celgene")	70	%	17	%	51	%	32	%

*Less than 10%

Net Loss per Common Share

Basic net loss per common share is calculated by dividing the net loss by the weighted-average number of common shares outstanding during the period, without consideration for common stock equivalents. Diluted net loss per common share is computed by dividing the net loss by the weighted-average number of common shares and common share equivalents outstanding for the period determined using the treasury-stock method. For purposes of this calculation, potentially dilutive securities consisting of common stock subject to repurchase, stock options and restricted stock units are considered to be common stock equivalents and were excluded in the calculation of diluted net loss per common share because their effect would be anti-dilutive for all periods presented.

Reclassifications

Certain receivable amounts in the condensed balance sheets have been reclassified from the prior year presentation to conform to the current year presentation.

Newly Adopted and Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") and the International Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2014-09 (Topic 606)—Revenue from Contracts with Customers ("ASU 2014-09"). This ASU affects any entity that either enters into contracts with customers to transfer goods and services or enters into contracts for the transfer of nonfinancial assets. This ASU will supersede the revenue recognition requirements in Topic 605, and most industry specific guidance. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under today's guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. Entities can choose to apply the standard using either the full retrospective approach or a modified retrospective approach. Entities electing the full retrospective adoption will apply the standard to each period presented in the financial statements. This means that entities will have to apply the new guidance as if it had been in effect since the inception of all its contracts with customers presented in the financial statements. Entities that elect the modified retrospective approach will apply the guidance retrospectively only to the most current period presented in the financial statements. This means that entities will have to recognize the cumulative effect of initially applying the new standard as an adjustment to the opening

balance of retained earnings at the date of initial application.

In July 2015, the FASB decided to defer by one year the effective date of its new revenue standard for public and nonpublic entities reporting under US GAAP after discussing feedback it received on its exposure draft proposing the deferral. As a result, the standard would be effective for the Company for annual periods beginning after December 15, 2017. Early adoption would be permitted for annual periods beginning after December 15, 2016 and interim periods therein. The Company is currently evaluating the impact of adoption of this accounting standards update on its financial statements.

3. Cash Equivalents and Investments

The fair value of securities, not including cash at September 30, 2015 and December 31, 2014, were as follows (in thousands):

	September 30, 2015			
	Gross			
	Amortized Unrealized			Fair
	Cost	Gains	Losses	Value
Money market funds	\$1,010	\$ —	\$ —	\$1,010
U.S. treasury bills	143,801	124	\$ —	143,925
Total available-for-sale securities	\$144,811	\$ 124	\$ —	\$144,935
Classified as:				
Cash equivalents				\$1,010
Short-term investments				143,925
Total cash equivalents and investments				\$144,935

As of September 30, 2015, the Company had a total of \$175.2 million in cash, cash equivalents, and short-term investments, which includes \$30.3 million in cash and \$144.9 million in cash equivalents and short-term investments.

	December 31, 2014			
	Gross			
	Amortized Unrealized			Fair
	Cost	Gains	Losses	Value
Money market funds	\$8,460	\$—	\$ —	\$8,460
U.S. treasury bills	203,845	37	(54)	203,828
Total available-for-sale securities	\$212,305	\$37	\$ (54)	\$212,288
Classified as:				
Cash equivalents				\$8,460
Short-term investments				203,828
Total cash equivalents and investments				\$212,288

As of December 31, 2014, the Company had a total of \$232.0 million in cash, cash equivalents, and short-term investments, which includes \$19.7 million in cash and \$212.3 million in cash equivalents and short-term investments.

All available-for-sale securities held as of September 30, 2015 and December 31, 2014 had contractual maturities of less than one year. There have been no significant realized gains or losses on available-for-sale securities for the periods presented.

4. Fair Value Measurements

The Company records its financial assets and liabilities at fair value. The carrying amounts of certain of the Company's financial instruments, including cash and cash equivalents, short-term investments, and accounts payable, approximate their fair value due to their short maturities. The accounting guidance for fair value provides a framework for measuring fair value, clarifies the definition of fair value, and expands disclosures regarding fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The accounting guidance establishes a three-tiered hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value as follows:

- Level 1: Inputs which include quoted prices in active markets for identical assets and liabilities.
- Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company's financial assets and liabilities subject to fair value measurements on a recurring basis and the level of inputs used in such measurements were as follows (in thousands):

September 30, 2015				
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	\$1,010	\$—	\$ —	\$1,010
U.S. treasury bills	—	143,925	—	\$143,925
Total	\$1,010	\$143,925	\$ —	\$144,935

December 31, 2014				
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	\$8,460	\$—	\$ —	\$8,460
U.S. treasury bills	—	203,828	—	203,828
Total	\$8,460	\$203,828	\$ —	\$212,288

Where quoted prices are available in an active market, securities are classified as Level 1. The Company classifies money market funds as Level 1. When quoted market prices are not available for the specific security, then the Company estimates fair value by using benchmark yields, reported trades, broker/dealer quotes, and issuer spreads. The Company classifies U.S. Treasury securities as Level 2. There were no transfers between Level 1 and Level 2 during the periods presented.

5. Collaborations

Summary of Collaboration Related Revenue

The Company has recognized the following revenues from its collaboration agreements during the three and nine months ended September 30, 2015 and 2014 (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2015	2014	September 30, 2015	2014
GSK:				
Recognition of upfront payments	\$312	\$312	\$936	\$936
Milestone revenue	—	11,000	5,000	11,000

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GSK total	312	11,312	5,936	11,936
Bayer:				
Recognition of upfront payments	1,111	2,439	3,333	7,317
Milestone revenue	—	2,000	—	2,000
Bayer total	1,111	4,439	3,333	9,317
Celgene:				
Recognition of upfront payments	3,264	3,264	9,791	9,791
Celgene total	3,264	3,264	9,791	9,791
Total collaboration related revenue	\$4,687	\$19,015	\$19,060	\$31,044

GSK Strategic Alliance

In January 2015 the Company enrolled the first biomarker-selected patient in the expansion stage of the brontictuzumab (anti-Notch1, OMP-52M51) Phase Ia trial in solid tumors. The advancement to the predictive biomarker expansion stage triggered a \$5.0 million substantive milestone payment from GSK, which the Company has recognized as collaboration revenue during the nine months ended September 30, 2015.

As of September 30, 2015, the Company was eligible to receive in its collaboration with GSK up to \$76.0 million in future development milestone payments prior to the completion of certain Phase II proof-of-concept (“POC”) clinical trials. These remaining potential development milestones include up to \$16.0 million for the start of certain Phase II clinical trials, including a \$5.0 million bonus payment, and up to \$60.0 million if GSK exercises its options for the two programs, including a \$10.0 million bonus payment. GSK has the option to license the brontictuzumab program as early as the end of Phase Ia or both programs at Phase II POC, and will be responsible for all further development and commercialization following such option exercise. If GSK successfully develops and

commercializes both candidates for more than one indication, the Company could receive contingent consideration payments of up to \$309.0 million for the achievement of regulatory events and up to \$280.0 million upon the achievement of certain levels of worldwide net sales, for a total of \$665.0 million of potential future payments. In addition, the Company can earn royalty payments on all future collaboration product sales, if any. As all contingent consideration payments are based solely on the performance of GSK, the Company would recognize the contingent payments upon receipt immediately as collaboration revenue if the Company had no further performance obligations under the agreement with GSK.

Bayer Strategic Alliance

As of September 30, 2015, the Company was eligible to receive up to \$10.0 million in future development milestone payments in its collaboration with Bayer for the Company's development of biologic product candidates, prior to the point that Bayer exercises its options. The Company is eligible to receive up to \$55.0 million if Bayer exercises its options for biologic product candidates. Bayer will be responsible for all further development and commercialization following the exercise of an option for a product candidate. The Company is eligible to receive up to \$22.0 million in development milestone payments for the small molecule candidates. If Bayer successfully develops and commercializes all of the product candidates for more than one indication, the Company could receive contingent consideration payments of up to \$185.0 million for the achievement of regulatory events (up to \$135.0 million for biologics and \$50.0 million for small molecules) and up to \$1.0 billion upon the achievement of specified future product sales (up to \$862.5 million for biologics and \$140.0 million for small molecules). In addition, the Company can earn royalty payments on all future collaboration product sales, if any. As all contingent consideration is based solely on the performance of Bayer, the Company would recognize the contingent payments upon receipt immediately as collaboration revenue if the Company had no further performance obligations under the agreement with Bayer.

Celgene Strategic Alliance

As of September 30, 2015, the Company was eligible to receive in its collaboration with Celgene up to \$87.5 million in future development milestones across all programs, prior to the point that Celgene exercises its options. The Company is also eligible to receive up to \$240.0 million of contingent consideration if Celgene exercises all its options for the biologic and small molecule therapeutic programs. Celgene will be responsible for all further development and commercialization following the exercise of the options for specified programs. If Celgene successfully develops and commercializes all of the product candidates, the Company could receive additional contingent consideration of up to \$2.8 billion for the achievement of regulatory events and sales milestones (up to \$2.7 billion for biologics and \$95.0 million for small molecules). Following Celgene's exercise of its option for a biologic therapeutic program, the Company will have co-development and co-commercialization rights for five of the six biologic therapeutic programs in the U.S. and will share 50% of all product profits and losses in the U.S. Outside the U.S., Celgene will have exclusive development and commercialization rights for such programs, with the Company eligible to receive milestones and tiered royalties on product sales. With respect to one of the six biologic therapeutic programs, and any of the other biologic therapeutic programs if the Company elects not to co-develop and co-commercialize products arising from such program, Celgene will have exclusive development and commercialization rights worldwide, with the Company eligible to receive milestones and tiered royalties on worldwide product sales. As all contingent consideration is based solely on the performance of Celgene, the Company would recognize the contingent payments upon receipt immediately as collaboration revenue if the Company had no further performance obligations under the Agreement.

6. Stock Incentive Plans

Equity Incentive Award and Stock Incentive Plans

As of September 30, 2015, a total of 2,987,512 shares of common stock have been authorized under the 2013 Equity Incentive Award Plan (the “2013 Plan”), including the additional 1,193,903 shares of common stock that became available for future issuance under the 2013 Plan as of January 1, 2015 as a result of an annual automatic increase provision in the 2013 Plan. As of September 30, 2015, a total of 1,624,464, shares are subject to options outstanding under the 2013 Plan. There are 1,880,882 shares subject to options outstanding under the 2004 Stock Incentive Plan (the “2004 Plan”) as of September 30, 2015, which will become available for issuance under the 2013 Plan to the extent the options are forfeited or lapse unexercised without issuance of such shares under the 2004 Plan.

The following table summarizes activity under 2004 Plan and 2013 Plan during the nine months ended September 30, 2015, including grants to nonemployees and restricted stock units (“RSUs”) granted:

(In thousands)	Shares Available for Grant of Options and Awards	Options and Awards Outstanding
Balance at December 31, 2014	19	3,822
Additional shares authorized	1,194	—
Options granted	(206)	206
Options exercised	—	(176)
Options forfeited	53	(53)
RSUs forfeited	5	(5)
Balance at September 30, 2015	1,065	3,794

The weighted-average grant date estimated fair value of options granted during the nine months ended September 30, 2015 was \$14.81 per share.

Employee Stock Purchase Plan

As of September 30, 2015, a total of 892,454 shares of common stock have been authorized and 755,319 shares of common stock are available for future issuance under the Company’s Employee Stock Purchase Plan (the “ESPP”). This authorized number includes the additional 298,475 shares of common stock that became available for future issuance under the ESPP as of January 1, 2015 as a result of an annual automatic increase provision in the ESPP. The ESPP allows eligible employees to purchase shares of the Company’s common stock at a discount through payroll deductions of up to 15% of their eligible compensation, subject to any plan limitations. The ESPP provides for six-month offering periods, and at the end of each offering period, employees are able to purchase shares at 85% of the lower of the fair market value of the Company’s common stock on the first trading day of the offering period or on the last day of the offering period.

During the nine months ended September 30, 2015, the Company issued 71,226 shares under the ESPP. The Company used the following assumptions to estimate the fair value of the ESPP offered during the nine months ended September 30, 2015: expected term of 0.5 years, weighted-average volatility from 45.4% to 72.5%, risk-free interest rate from 0.05% to 0.26% and expected dividend yield of zero.

Restricted Stock Units

In March 2014, the Company awarded 293,980 RSUs under the 2013 Plan. Each vested RSU represents the right to receive one share of common stock. The fair value of the RSU awards was calculated based on the NASDAQ quoted stock price on the date of the grant with the expense being recognized over the vesting period. The RSUs are generally scheduled to vest at the end of three years at March 31, 2017. However, the vesting will be accelerated to 25% of the awarded RSUs upon the payment by Celgene of a designated milestone payment related to Phase II clinical trials of demcizumab (anti-DLL4, OMP-21M18). The stock-based compensation expense for these RSUs is being amortized on the straight-line basis over the three-year vesting period. The Company continues to assess at each reporting date whether achievement of any performance condition is probable and would begin recognizing compensation costs based on the accelerated vesting if and when achievement of the performance condition becomes probable. The

Company has recognized the stock-based compensation expense of \$0.7 million and \$2.2 million related to these RSUs for the three and nine months ended September 30, 2015, respectively. There were no RSUs awarded during the nine months ended September 30, 2015.

Stock-Based Compensation

Employee stock-based compensation expense was calculated based on awards expected to vest and has been reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Stock-based compensation expense recognized was as follows (in thousands):

	Three Months Ended September 30, 2015		Nine Months Ended September 30, 2015	
	2015	2014	2015	2014
Research and development	\$1,402	\$1,119	\$4,052	\$2,507
General and administrative	1,109	882	3,263	1,691
Total	\$2,511	\$2,001	\$7,315	\$4,198

As of September 30, 2015, the Company had \$14.2 million and \$4.5 million of unrecognized stock-based compensation expense related to unvested stock options and RSUs, respectively, which are expected to be recognized over an estimated weighted-average period of 2.57 years and 1.5 years, respectively.

The estimated grant date fair value of employee stock options was calculated using the Black-Scholes option-pricing model, based on the following assumptions:

	Three Months Ended September 30, 2015		Nine Months Ended September 30, 2015	
	2015	2014	2015	2014
Weighted-average volatility	63.29 %	68.80 %	63.81 %	69.60 %
Weighted-average expected term (years)	6.20	6.20	6.20	6.20
Risk-free interest rate	2.00 %	2.23 %	2.00 %	2.23 %
Expected dividend yield	—		—	

7. Income Taxes

During the three and nine months ended September 30, 2015, the Company recorded an income tax provision of \$12,000 and \$35,000, respectively, primarily due to discrete items resulting from interest on prior years' uncertain tax positions. The Company's deferred tax assets continue to be fully offset by a valuation allowance.

8. Net Loss per Common Share

The following outstanding common stock equivalents were excluded from the computation of diluted net loss per common share for the periods presented because including them would have been antidilutive:

	As of September 30,	
	2015	2014
Options to purchase common stock	3,505,346	2,753,887
RSUs	289,004	293,980
	3,794,350	3,047,867

9. Subsequent Events

In November 2015, we entered into an amendment to the existing agreement with Bayer, under which we agreed to enroll up to 24 additional subjects across two of our ongoing Phase 1b trials, of vantiactumab (anti-Fzd7, OMP-18R5) in breast cancer and ipafricept (Fzd8-fc, OMP-54F28) in ovarian cancer, to further elucidate the profile of these product candidates and generate additional data to inform Bayer's opt-in decisions. Bayer has agreed to reimburse us for all out-of-pocket expenses to support additional patient enrollment.

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

You should read the following discussion in conjunction with our condensed financial statements (unaudited) and related notes included elsewhere in this report. This Quarterly Report on Form 10-Q contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical facts contained in this report are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “may,” “could,” “will,” “would,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “intend,” “predict,” “potential” or “continue” or the negative of these terms or other comparable terminology. These forward-looking statements, include, but are not limited to, the initiation, timing, progress and results of our preclinical studies and clinical trials, and our research and development programs; our ability to advance product candidates into, and successfully complete, clinical trials; our receipt of future milestone payments and/or royalties, and the expected timing of such payments; our collaborators’ exercise of their license options; the commercialization of our product candidates; the implementation of our business model, strategic plans for our business, product candidates and technology; the scope of protection we are able to establish and maintain for intellectual property rights covering our product candidates and technology; estimates of our expenses, future revenues, capital requirements and our needs for additional financing; the timing or likelihood of regulatory filings and approvals; our ability to maintain and establish collaborations or obtain additional government grant funding; our use of proceeds from our initial public offering (“IPO”); our financial performance; and developments relating to our competitors and our industry. These statements reflect our current views with respect to future events or our future financial performance, are based on assumptions, and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under “Item 1A—Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, or those described in our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2015 or in this Quarterly Report on Form 10-Q. These forward-looking statements speak only as of the date hereof. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future. Unless the context requires otherwise, in this Quarterly Report on Form 10-Q, the terms “OncoMed,” “Company,” “OncoMed Pharmaceuticals,” “we,” “us” and “our” refer to OncoMed Pharmaceuticals, Inc., a Delaware corporation, unless otherwise noted.

Overview

OncoMed is a clinical stage biopharmaceutical company focused on discovering and developing first-in-class anti-cancer stem cell (“CSC”) and immuno-oncology therapeutics. Our approach has been to target cancer stem cells, the sub-population of cells in a tumor responsible for driving tumor growth, metastases and recurrence. Also known as tumor-initiating cells, CSCs are characterized by their ability to divide and produce new cancer stem cells (self-renewal) or to change into the other cells that form the bulk of the tumor (differentiation). Common cancer drugs target bulk tumor cells but have limited impact on CSCs, thereby providing a path for recurrence of the tumor. We utilize our proprietary technologies to identify and validate multiple potential targets critical to CSC self-renewal and differentiation. These targets are in pathways implicated in cancer biology and stem cell biology, including the Notch, Wnt, RSPO-LGR and other fundamental CSC pathways. We have also discovered multiple potential immuno-oncology product candidates that target fundamental biological pathways which enable tumor cells to evade the body’s immune system. The emerging drugs in our pipeline are intended to make tumor cells more visible to immune system attack and/or bolster targeted immune cell activity. We believe our product candidates are quite distinct from current generations of chemotherapies and targeted therapies and have the potential to significantly impact cancer treatment and the clinical outcome of patients with cancer. All of our product candidates were discovered internally in our own research laboratories.

With the recently announced dosing of the first patient in the anti-RSPO3 (OMP-131R10) Phase Ia/Ib clinical trial, we now have seven anti-CSC product candidates in clinical development. We are also pursuing discovery of additional novel anti-CSC and immuno-oncology product candidates. The first product candidate currently in clinical development, demcizumab (anti-DLL4, OMP-21M18), is in two Phase II randomized trials in non-small cell lung cancer (with carboplatin and pemetrexed) and pancreatic cancer (with gemcitabine and Abraxane®). The second product candidate, tarextumab (anti-Notch2/3, OMP-59R5), is currently in the Phase II portion of a Phase Ib/II trial in pancreatic cancer (with gemcitabine and Abraxane®) and also in the Phase II portion of a Phase Ib/II trial in small cell lung cancer (with etoposide and platinum chemotherapy). Our third product candidate, vantictumab (anti-Fzd7, OMP-18R5), is currently in three separate Phase Ib combination trials, one trial each in patients with breast cancer (with paclitaxel), pancreatic cancer (with gemcitabine and Abraxane®) and non-small cell lung cancer (with docetaxel). The fourth product candidate, ipafricept (Fzd8-Fc, OMP-54F28), is in three separate Phase Ib combination trials, one trial each in patients with ovarian cancer (with carboplatin and paclitaxel), pancreatic cancer (with gemcitabine and Abraxane®) and hepatocellular carcinoma (with sorafenib). Our fifth product candidate, brontictuzumab (anti-Notch1, OMP-52M51), is in two single-agent Phase Ia safety and dose escalation trials in hematologic and solid tumor malignancies. The sixth product candidate, anti-DLL4/VEGF bispecific (OMP-305B83), is currently in a single-agent Phase Ia trial in advanced solid tumor patients. The seventh product candidate is anti-RSPO3 (OMP-131R10). In July

2015, we announced the dosing of the first patient in the anti-RSPO3 Phase Ia/Ib clinical trial, which is initially enrolling patients with advanced refractory solid tumors. Clinical trials for all seven of these product candidates are ongoing, with the intent of gathering additional data required to proceed to later stage clinical trials and product approval.

Financial Operations Overview

Revenue

We have not generated any revenue from product sales. Our revenue to date has been primarily derived from upfront payments and development milestones received from GSK, Bayer and Celgene. We recognize revenue from upfront payments ratably over the term of our estimated period of performance under the agreements. In addition to receiving upfront payments, we may also be entitled to milestone and other contingent payments upon achieving predefined objectives or the exercise of options for specified programs by our strategic partners. Such payments are recorded as revenue when we achieve the underlying milestone if there is substantive uncertainty at the date the arrangement is entered into that the event will be achieved.

The following table summarizes our revenue for the three and nine months ended September 30, 2015 and 2014, which is related to the recognition of upfront payments and milestone payments received under our various collaboration arrangements (in thousands):

	Three Months Ended September 30, 2015		Nine Months Ended September 30, 2015	
	2015	2014	2015	2014
GSK:				
Recognition of upfront payments	\$312	\$312	\$936	\$936
Milestone revenue	—	11,000	5,000	11,000
GSK total	312	11,312	5,936	11,936
Bayer:				
Recognition of upfront payments	1,111	2,439	3,333	7,317
Milestone revenue	—	2,000	—	2,000
Bayer total	1,111	4,439	3,333	9,317
Celgene:				
Recognition of upfront payments	3,264	3,264	9,791	9,791
Celgene total	3,264	3,264	9,791	9,791
Total collaboration related revenue	\$4,687	\$19,015	\$19,060	\$31,044

We expect that any revenue we generate will fluctuate from period to period as a result of the timing and amount of milestones and other payments from our collaborations with GSK, Bayer and Celgene or any new collaboration we may enter into, and any new government grants that we may receive in the future.

Research and Development

Research and development expenses represent costs incurred to conduct research such as the discovery and development of clinical candidates for GSK, Bayer and Celgene as well as discovery and development of our

proprietary un-partnered product candidates. We expense all research and development costs as they are incurred. Our research and development expenses consist of employee salaries and related benefits, including stock-based compensation, third-party contract costs relating to research, manufacturing, preclinical studies, clinical trial activities, laboratory consumables, and allocated facility costs.

At any point in time, we typically have various early stage research and drug discovery projects. Our internal resources, employees and infrastructure are not directly tied to any one research or drug discovery project and are typically deployed across multiple projects. As such, we do not maintain information regarding these costs incurred for these early stage research and drug discovery programs on a project-specific basis.

The following table summarizes our research and development expenses for the three and nine months ended September 30, 2015 and 2014 (in thousands). The internal costs include personnel, facility costs, laboratory consumables and discovery and research related activities associated with our pipeline. The external program costs reflect external costs attributable to our clinical development candidates and preclinical candidates selected for further development. Such expenses include third-party contract costs relating to manufacturing, clinical trial activities, translational medicine and toxicology activities.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Internal Costs:				
Cancer biology, pathology and toxicology	\$4,110	\$3,623	\$11,944	\$10,479
Molecular and cellular biology	1,944	1,968	5,911	5,429
Process development and manufacturing	1,572	1,445	4,308	4,106
Product development	2,612	2,008	7,533	5,663
Subtotal internal costs	10,238	9,044	29,696	25,677
External Program Costs:				
Manufacturing	3,678	5,256	6,977	12,053
Clinical	9,378	5,356	25,779	14,212
Translational medicine	1,107	1,024	2,959	1,984
Toxicology	311	320	779	1,950
Subtotal external program costs	14,474	11,956	36,494	30,199
Total research and development expense	\$24,712	\$21,000	\$66,190	\$55,876

Our research and development expenses have increased as we have progressed our product candidates, and we expect that these expenses may continue to increase with continued pipeline advancement and conduct of our development activities under our agreements with GSK, Bayer and Celgene. The process of conducting preclinical studies and clinical trials necessary to obtain regulatory approval is costly and time-consuming. We or our partners may never succeed in achieving marketing approval for any of our product candidates. The probability of success of each product candidate may be affected by numerous factors, including preclinical data, clinical data, competition, manufacturing capability and commercial viability.

For the biologic programs covered under our strategic alliances with GSK, Bayer and Celgene, we are responsible for development of each product candidate prior to the exercise of GSK's, Bayer's or Celgene's option to exclusively license such product candidate. GSK and Bayer may exercise such an option on a product-by-product basis, and Celgene may exercise such option on a program-by-program basis, in each case, during certain time periods, which for GSK, Bayer and Celgene are through the end of certain Phase I or Phase II trials, depending on the applicable product candidate or program. If GSK exercises its option for a product candidate, all further development obligations for such product candidate are assumed by GSK. If Bayer exercises its option for a product candidate, all development obligations for such product candidate after such product candidate reaches a defined early development stage are assumed by Bayer. With respect to biologic therapeutic programs, if Celgene exercises its option for a given program, we will have the option to co-develop and co-commercialize up to five of the six such product candidates in the United States. If we do so, we will be responsible for a one-third share of the global development costs of such product candidates, with Celgene bearing the remaining two-thirds of such costs, and we will be entitled to participate in the commercialization activities for such product candidates in the United States, and to share 50% of all profits and

losses arising from U.S. sales of such product candidates. Otherwise, we may enter into a license agreement with Celgene for such product candidate whereupon Celgene would be responsible for all further development costs. In addition, if Celgene exercises its option under the Celgene Agreement to further develop and commercialize small molecule therapeutics directed to targets in an undisclosed pathway, all further development obligations with respect to the small molecule therapeutic program will be assumed by Celgene.

Most of our product development programs are at an early stage; therefore, the successful development of our product candidates is highly uncertain and may not result in approved products. Completion dates and completion costs can vary significantly for each product candidate and are difficult to predict. Given the uncertainty associated with clinical trial enrollments and the risks inherent in the development process, we are unable to determine the duration and completion costs of current or future clinical trials of our product candidates or if and to what extent we will generate revenues from the commercialization and sale of any of our product candidates. We anticipate that we and our strategic alliance partners will make determinations as to which programs to pursue and how much funding to direct to each program on an ongoing basis in response to the scientific and clinical success of each product candidate, as well as an ongoing assessment as to each product candidate's commercial potential. We may need to raise additional capital or may seek additional strategic alliances in the future in order to complete the development and commercialization of our product candidates.

General and Administrative

Our general and administrative expenses consist primarily of personnel costs, allocated facilities costs and other expenses for outside professional services, including legal, human resource, audit, tax and accounting services. Personnel costs consist of salaries, benefits and stock-based compensation

Interest and Other Income, net

Interest income consists primarily of interest received on our cash equivalents and investment income from short-term investments.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with generally accepted accounting principles in the United States, or GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. In many instances, we could have reasonably used different accounting estimates, and in other instances changes in the accounting estimates are reasonably likely to occur from period to period. Accordingly, actual results could differ significantly from the estimates made by our management. To the extent that there are material differences between these estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected. We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

There have been no significant and material changes in our critical accounting policies during the three and nine months ended September 30, 2015, as compared to those disclosed in "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Results of Operations

Comparison of the Three Months Ended September 30, 2015 and 2014

(In thousands)	Three Months Ended		Dollar Change
	September 30, 2015	September 30, 2014	
Collaboration revenue	\$4,687	\$19,015	\$(14,328)
Operating expenses:			—
Research and development	24,712	21,000	3,712
General and administrative	4,536	3,515	1,021
Total operating expenses	29,248	24,515	4,733

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Loss from operations	(24,561)	(5,500)	(19,061)
Interest and other income, net	94	49	45
Loss before provision for income taxes	(24,467)	(5,451)	(19,016)
Provision for income taxes	12	35	(23)
Net loss	\$(24,479)	\$(5,486)	\$(18,993)

Revenue

Total revenue for the three months ended September 30, 2015 was \$4.7 million, a decrease of \$14.3 million, or 75%, compared to total revenue of \$19.0 million for the three months ended September 30, 2014. This decrease is primarily due to the recognition of \$11.0 million in collaboration revenue from GSK in 2014 for the achievement of a development milestone related to first patient enrollment in the Phase II portion of our tarextumab (anti-Notch2/3, OMP-59R5) clinical trial, and \$2.0 million of milestone revenue from Bayer in 2014 as a result of the commencement of preclinical development of a small molecule product candidate. Under the Bayer agreement, we recognized \$1.1 million in the three months ended September 30, 2015 from the amortization of upfront fees compared to \$2.4 million in the three months ended September 30, 2014. This \$1.3 million decrease was a result of a change to the estimated period of performance for the Bayer collaboration. We evaluated the status of our obligations through the first quarter of 2015 and determined that the estimated period to complete our performance of all remaining obligations was in December 2015. As a

result, the estimated period of performance was extended by six months from June 2015 to December 2015. Accordingly, we started recognizing the remaining unamortized portion of deferred revenue over the revised estimated period of performance on a prospective basis. In the fourth quarter of 2015, we evaluated the status of our obligations to Bayer and extended the estimated period to complete our performance of all remaining obligations to March 2016. Accordingly, we will recognize the remaining unamortized portion of deferred revenue over the revised estimated period of performance on a prospective basis. The amortization of upfront fees from our partnership with GSK and Celgene remained constant at \$0.3 million and \$3.3 million, respectively, for the three months ended September 30, 2015 and 2014.

Research and Development

Research and development expenses were \$24.7 million for the three months ended September 30, 2015, an increase of \$3.7 million, or 18%, compared to research and development expenses of \$21.0 million for the three months ended September 30, 2014. The increase was comprised of a \$2.5 million increase in our external program costs and a \$1.2 million increase in our internal program costs. The increase in our external program costs of \$2.5 million was due to an increase of \$4.0 million in Phase II clinical activities under our demcizumab (anti-DLL4, OMP-21M18) and tarextumab (anti-Notch2/3, OMP-59R5) programs, as well as increased costs in our anti-DLL4/VEGF bispecific (OMP-305B83) and anti-RSPO3 (OMP-131R10) programs. This was offset by a net decrease of \$1.6 million in manufacturing costs in 2015 related to the decrease of \$3.2 million for the production of anti-RSPO3 (OMP-131R10), ipafricept (Fzd8-Fc, OMP-54F28), and tarextumab that occurred in 2014, partially offset by an increase of \$1.7 million in demcizumab manufacturing costs and also other program expenses. We expect that our external program costs will increase in future periods as we continue to advance our pipeline, enroll patients in various programs and initiate new clinical trials.

The increase in our internal costs of \$1.2 million was primarily due to an increase of \$0.6 million in personnel costs related to an increase in headcount and also \$0.2 million for stock-based compensation, including new stock option grants. There was an increase of \$0.3 million related to contract services, lab and animal costs, and office expenses.

General and Administrative

General and administrative expenses were \$4.5 million for the three months ended September 30, 2015, an increase of \$1.0 million, or 29%, compared to general and administrative expenses of \$3.5 million for the three months ended September 30, 2014. Employee related costs increased by \$0.4 million due to an increase of \$0.2 million in personnel costs related to increase in headcount and also \$0.2 million for stock-based compensation, including new stock option grants. Legal costs increased \$0.4 million due to an increase in patent-related expenses. The increase was also due to financing costs of \$0.3 million related to our registration statement on Form S-3 filed in June 2015 that were previously capitalized in other long-term assets on our balance sheets and were subsequently expensed during the three months ended September 30, 2015 because the offering was not consummated.

Comparison of the Nine Months Ended September 30, 2015 and 2014

(In thousands)	Nine Months Ended		Dollar Change
	September 30, 2015	2014	
Collaboration Revenue:	\$19,060	\$31,044	\$(11,984)
Operating expenses:			
Research and development	66,190	55,876	10,314

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General and administrative	13,607	10,167	3,440
Total operating expenses	79,797	66,043	13,754
Loss from operations	(60,737)	(34,999)	(25,738)
Interest and other income, net	143	82	61
Loss before provision for income taxes	(60,594)	(34,917)	(25,677)
Provision for income taxes	35	37	(2)
Net loss	\$(60,629)	\$(34,954)	\$(25,675)

Revenue

Total revenue for the nine months ended September 30, 2015 was \$19.1 million, a decrease of \$12.0 million, or 39%, compared to total revenue of \$31.0 million for the nine months ended September 30, 2014. This decrease is largely due to the recognition of \$11.0 million in collaboration revenue from GSK in 2014 for the achievement of a development milestone related to first patient enrollment in the Phase II portion of our tarextumab clinical trial. In addition, we recognized \$3.3 million in the nine months ended

September 30, 2015 from the amortization of upfront fees under the Bayer agreement compared to \$7.3 million in the nine months ended September 30, 2014. This \$4.0 million decrease is a result of a change to the estimated period of performance for the Bayer collaboration. The Company evaluated the status of its obligations in the first quarter of 2015 and determined that the estimated period to complete the Company's performance of all remaining obligations under the Bayer collaboration was through December 2015. As a result, the estimated period of performance was extended by six months from June 2015 to December 2015. Accordingly, the Company started recognizing the remaining unamortized portion of deferred revenue over the revised estimated period of performance on a prospective basis. We also recognized \$2.0 million of milestone revenue from Bayer in 2014 as a result of the commencement of preclinical development of a small molecule product candidate. Offsetting these decreases, in the first quarter of 2015, we recognized a \$5.0 million development milestone from GSK for dosing the first patient in the Phase I expansion portion of the brontictuzumab (anti-Notch1, OMP-52M51) clinical trial.

Research and Development

Research and development expenses were \$66.2 million for the nine months ended September 30, 2015, an increase of \$10.3 million, or 18%, compared to research and development expenses of \$55.9 million for the nine months ended September 30, 2014. The increase was comprised of a \$6.3 million increase in our external program costs and a \$4.0 million increase in our internal program cost.

The increase in our external program costs of \$6.3 million was primarily due to a net increase of \$11.6 million in clinical related activities. The increase is comprised of an increase of \$14.1 million in Phase II clinical activities under our demcizumab (anti-DLL4, OMP-21M18) and tarextumab (anti-Notch2/3, OMP-59R5) programs, as well as increased activities in our anti-RSPO3 (OMP-131R10) and anti-DLL4/VEGF bispecific (OMP-305B83) programs, partially offset by a \$2.7 million decrease in Phase I clinical activities for the demcizumab (anti-DLL4, OMP-21M18), tarextumab (anti-Notch2/3, OMP-59R5), vantiactumab (anti-Fzd7, OMP18R5) and ipafricept (Fzd8-Fc, OMP-54-F28) programs. There was also an increase of \$0.9 million in biomarker studies.

These net increases in clinical activities were offset by a net decrease of \$5.1 million in manufacturing costs primarily due to a decrease of \$6.0 million in production occurring in 2014 for anti-RSPO3 (OMP-131R10), anti-DLL4/VEGF bispecific (OMP-305B83), tarextumab (anti-Notch2/3, OMP-59R5), and ipafricept (Fzd8-Fc, OMP-54-F28). There was also a decrease of \$0.7 million in other manufacturing related costs for brontictuzumab (anti-Notch1, OMP-52M51), vantiactumab (anti-Fzd7, OMP18R5), and other compounds. This was offset by an increase of \$1.6 million for demcizumab (anti-DLL4, OMP-21M18) production in 2015. Toxicology expenses decreased \$1.2 million due to investigational new drug application enabling toxicology studies that occurred in 2014 for anti-DLL4/VEGF bispecific (OMP-305B83) and anti-RSPO3 (OMP-131R10). We expect that our external program costs may increase in future periods as we continue to enroll patients in various programs and initiate new clinical trials.

The increase in our internal costs of \$4.0 million was primarily due to an increase of \$1.9 million in personnel costs related to an increase in headcount and also \$1.5 million for stock-based compensation, including new stock option grants. An increase of \$0.6 million was due to increased activities in contract services, facilities and travel as well as higher depreciation expense.

General and Administrative

General and administrative expenses were \$13.6 million for the nine months ended September 30, 2015, an increase of \$3.4 million, or 33%, compared to general and administrative expenses of \$10.2 million for the nine months ended September 30, 2014. The increase of \$3.4 million was primarily due to an increase of \$1.6 million in stock-based compensation, including new stock option grants, and also \$0.6 million in personnel costs related to an increase in headcount. Legal costs increased \$0.9 million due to an increase in patent-related expenses. The increase was also due

to financing costs of \$0.3 million related to our registration statement on Form S-3 filed in June 2015 that were previously capitalized in other long-term assets on our balance sheets and were subsequently expensed during the three months ended September 30, 2015 because the offering was not consummated.

Liquidity and Capital Resources

As of September 30, 2015, we had cash, cash equivalents, and short term investments totaling \$175.2 million. We have received upfront and milestone payments and other collaboration related payments under the GSK, Bayer and Celgene collaborative arrangements.

In June 2015, we filed a shelf registration statement on Form S-3 that permits: (a) the offering, issuance and sale by us of up to a maximum aggregate offering price of \$250.0 million of our common stock, preferred stock, debt securities, warrants, purchase contracts and/or units; and (b) as part of the \$250.0 million, the offering, issuance and sale by us of up to a maximum aggregate offering price of \$50.0 million of our common stock that may be issued and sold under a sales agreement with Cantor Fitzgerald & Co

in one or more at-the-market offerings. As of September 30, 2015, we had not sold any securities pursuant to the shelf registration statement or our at-the-market program.

Our primary uses of cash are to fund operating expenses, primarily related to research and development product candidate expenditures. Cash used to fund operating expenses is impacted by the timing of when we pay these expenses, as reflected in the change in our outstanding accounts payable and accrued expenses.

We believe that our existing cash, cash equivalents and short-term investments as of September 30, 2015 will be sufficient to meet our anticipated cash requirements at least through 2016, even without taking into account potential future milestone payments to us or proceeds to us from any future sales of our securities pursuant to our shelf registration statement including our at-the-market program. However, our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement that involves risks and uncertainties, and actual results could vary materially.

Our future capital requirements are difficult to forecast and will depend on many factors, including:

- the achievement of milestones and/or exercise of options under our agreements with GSK, Bayer and Celgene;
- the initiation, progress, timing and completion of preclinical studies and clinical trials for our product candidates and potential product candidates;
- the number and characteristics of product candidates that we pursue;
- the progress, costs and results of our clinical trials;
- the outcome, timing and cost of regulatory approvals;
- delays that may be caused by changing regulatory requirements;
- funding we may receive under any new collaborations we may enter into or new government grants we may be awarded in the future;
- the costs and timing of hiring new employees to support our continued growth; and
- the costs and timing of procuring clinical supplies of our product candidates.

The following table summarizes our cash flows for the periods indicated (in thousands):

	Nine Months Ended September 30,	
	2015	2014
Cash used in operating activities	\$(57,544)	\$(69,043)
Cash provided by (used in) investing activities	59,002	(111,922)
Cash provided by financing activities	1,684	2,029

Cash Flows from Operating Activities

Cash used in operating activities for the nine months ended September 30, 2015 was \$57.5 million. The net loss of \$60.6 million was offset by non-cash charges of \$1.2 million for depreciation and amortization and \$7.3 million for stock-based compensation. The change in net operating assets of \$(5.3) million was due primarily to a decrease of \$14.1 million in deferred revenue due to the amortization of upfront and milestone payments from GSK, Bayer and Celgene; tax receivables decreased by \$7.1 million due to our receipt of an income tax refund during the second quarter of 2015; and the net increase of \$2.8 million in accounts payable and accrued liabilities was a result of the timing of our vendor payments.

Cash used in operating activities for the nine months ended September 30, 2014 was \$69.0 million. Our net loss of \$35.0 million was offset by non-cash charges of \$1.1 million for depreciation and amortization, and \$4.2 million for stock-based compensation. The change in net operating assets of \$(39.3) million was primarily due to the decrease in income tax payable of \$10.0 million upon payment of federal income tax that resulted mainly from the receipt of the Celgene upfront payment in December 2013, a decrease in deferred revenue of \$29.0 million from the amortization of upfront payments from Celgene, GSK and Bayer and a net increase of \$3.4 million in accounts payable and accrued liabilities due to the timing of our vendor payments.

Cash Flows from Investing Activities

Cash provided by investing activities of \$59.0 million for the nine months ended September 30, 2015 was primarily due to maturities of short-term investments of \$179.0 million, offset by purchases of short-term investments of \$118.8 million and our acquisition of property and equipment of \$1.2 million.

Cash used in investing activities of \$111.9 million for the nine months ended September 30, 2014 was primarily due to purchases of short-term investments of \$411.9 million and our acquisition of property and equipment of \$1.3 million, offset by maturities of short-term investments of \$301.3 million.

Cash Flows from Financing Activities

Cash provided by financing activities of \$1.7 million and \$2.0 million for the nine months ended September 30, 2015 and 2014, respectively, was due to the proceeds from the issuance of common stock upon the exercise of stock options and from purchases of common stock under our Employee Stock Purchase Plan.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks in the ordinary course of our business. These risks primarily include risk related to interest rate sensitivities and foreign currency exchange rate sensitivity.

Interest Rate Sensitivity

We had cash, cash equivalents and short-term investments of \$175.2 million as of September 30, 2015, which consisted of bank deposits, money market funds and U.S. Treasury Bills. Such interest-earning instruments carry a degree of interest rate risk; however, historical fluctuations in interest income have not been significant. We had no outstanding debt as of September 30, 2015.

We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure. We have not been exposed nor do we anticipate being exposed to material risks due to changes in interest rates. A hypothetical 10% change in interest rates during any of the periods presented would not have had a material impact on our financial statements. There have been no material quantitative changes in our market risk exposures between the current fiscal year and preceding fiscal years.

Foreign Currency Exchange Rate Sensitivity

We face foreign exchange risk as a result of entering into transactions denominated in currencies other than U.S. dollars, particularly in Euro and British Sterling. Due to the uncertain timing of expected payments in foreign currencies, we do not utilize any forward foreign exchange contracts, nor did we in the three months ended September 30, 2015. All foreign transactions settled on the applicable spot exchange basis at the time such payments were made.

An adverse movement in foreign exchange rates could have a material effect on payments we make to foreign suppliers. The impact of an adverse change in foreign exchange rates may be offset in the event we receive a milestone payment from a foreign partner. A hypothetical 10% change in foreign exchange rates during any of the preceding periods presented would not have a material impact on our financial statements. There have been no material quantitative changes in our market risk exposures between the current fiscal year and preceding fiscal years.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2015. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of September 30, 2015, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during the quarter ended September 30, 2015, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not currently a party to any material litigation or other material legal proceedings.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in “Item 1A—Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, in our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2015 and in our other public filings with the SEC. The risks described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, in our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2015 and in our other public filings with the SEC are not the only risks facing the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

There have been no material changes to our risk factors from those set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 other than as set forth in our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2015.

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

(a)

Not applicable.

(b)

On July 23, 2013, we closed our IPO, in which we sold an aggregate of 5,520,000 shares of common stock at a price to the public of \$17.00 per share. The aggregate offering price for shares sold in the offering was \$93.9 million. The offer and sale of all of the shares in the IPO were registered under the Securities Act of 1933, as amended, pursuant to a registration statement on Form S-1 (File No. 333-181331), which was declared effective by the Securities and Exchange Commission on July 17, 2013 (the “Registration Statement”).

There has been no material change in the planned use of proceeds from our IPO as described in the Registration Statement or related prospectus. We invested the funds received in short-term, interest-bearing investment-grade securities and government securities.

(c)

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

(a)

Not applicable.

(b)

Not applicable.

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ITEM 6. EXHIBITS

See the Exhibit Index on the page immediately following the signature page to this Quarterly Report on Form 10-Q for a list of the exhibits filed as part of this Quarterly Report, which Exhibit Index is incorporated herein by reference.

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.

OncoMed Pharmaceuticals, Inc.

Date: November 5, 2015 By: /s/ Sunil Patel
Sunil Patel

Chief Financial Officer, Senior Vice President, Corporate Development and Finance
(principal financial and accounting officer)

EXHIBIT INDEX

Listed and indexed below are all Exhibits filed as part of this report.

Exhibit

No.	Description of Exhibit
3.1	Amended and Restated Certificate of Incorporation (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K on July 23, 2013 and incorporated herein by reference).
3.2	Amended and Restated Bylaws (filed as Exhibit 3.2 to the Registrant's Current Report on Form 8-K on July 23, 2013 and incorporated herein by reference).
4.1	Form of Common Stock Certificate (filed as Exhibit 4.1 to the Registrant's Registration Statement on Form S-1 (File No. 333-181331), effective July 17, 2013, and incorporated herein by reference).
4.2(A)	Amended and Restated Investor Rights Agreement, dated October 7, 2008, by and among the Registrant and certain stockholders (filed as Exhibit 4.4(A) to the Registrant's Registration Statement on Form S-1 (File No. 333-181331), effective July 17, 2013, and incorporated herein by reference).
4.2(B)	Amendment and Consent, dated September 16, 2010, by and among the Registrant and certain stockholders (filed as Exhibit 4.4(B) to the Registrant's Registration Statement on Form S-1 (File No. 333-181331), effective July 17, 2013, and incorporated herein by reference).
4.3	Registration Rights Agreement, dated as of December 2, 2013, by and between the Registrant and Celgene Corporation (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K on December 3, 2013 and incorporated herein by reference).
10.1†	Amendment No. 2 to the Multi-Product License Agreement, dated July 23, 2015, by and between the Registrant and Lonza Sales AG.
31.1	Certification of Principal Executive Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of Principal Financial Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.
32.1	Certification of Principal Executive Officer and Principal Financial Officer Required Under Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350.
101	The following materials from Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015, formatted in eXtensible Business Reporting Language (XBRL) includes: (i) Condensed Balance Sheets at September 30, 2015 (unaudited) and December 31, 2014, (ii) Condensed Statements of Operations and Comprehensive Loss (unaudited) for the three and nine months ended September 30, 2015 and 2014, (iii) Condensed Statements of Cash Flows (unaudited) for the nine months ended September 30, 2015 and 2014, and (iv) Notes to the Condensed Financial Statements.

Certain portions have been omitted pursuant to a confidential treatment request. Omitted information has been filed separately with the Securities and Exchange Commission.