ALEXION PHARMACEUTICALS INC
Form 10-Q
April 29, 2016

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

FORM 10-Q
x Quarterly report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2016
or
¨Transition report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934
For the transition period from to
Commission file number: 0-27756

ALEXION PHARMACEUTICALS, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	13-3648318
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

100 College Street, New Haven, Connecticut 06510
(Address of Principal Executive Offices) (Zip Code)
203-272-2596
(Registrant's telephone number, including area code)

N/A
(Former name, former address, and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Check One:
Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ (Do not check if a smaller reporting company)
Smaller reporting company ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Common Stock, $0.0001 par value	224,020,164
Class	Outstanding as of April 26, 2016

Alexion Pharmaceuticals, Inc.
Contents

Alexion Pharmaceuticals, Inc.
Condensed Consolidated Balance Sheets
(unaudited)
(amounts in thousands, except per share amounts)

	March 31, 2016	December 31, 2015
Assets		
Current Assets:		
Cash and cash equivalents	$710,198	$1,010,111
Marketable securities	317,354	374,904
Trade accounts receivable, net	586,249	532,832
Inventories	293,962	289,874
Prepaid expenses and other current assets	219,746	208,993
Total current assets	2,127,509	2,416,714
Property, plant and equipment, net	749,295	697,025
Intangible assets, net	4,627,817	4,707,914
Goodwill	5,049,321	5,047,885
Other assets	248,503	228,343
Total assets	$12,802,445	$13,097,881
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	$42,897	$57,360
Accrued expenses	359,077	403,348
Deferred revenue	78,416	20,504
Current portion of long-term debt	35,358	166,365
Other current liabilities	87,865	62,038
Total current liabilities	603,613	709,615
Long-term debt, less current portion	3,212,772	3,254,536
Contingent consideration	107,085	121,424
Facility lease obligation	172,970	151,307
Deferred tax liabilities	535,910	528,990
Other liabilities	107,818	73,393
Total liabilities	4,740,168	4,839,265
Commitments and contingencies (Note 17)		
Stockholders' Equity:		
Common stock, $.0001 par value; 290,000 shares authorized; 231,136 and 230,498 shares issued at March 31, 2016 and December 31, 2015, respectively	23	23
Additional paid-in capital	7,793,056	7,726,560
Treasury stock, at cost, 6,934 and 4,851 shares at March 31, 2016 and December 31, 2015, respectively	(1,007,178)	(710,663)
Accumulated other comprehensive income	3,815	62,301
Retained earnings	1,272,561	1,180,395
Total stockholders' equity	8,062,277	8,258,616
Total liabilities and stockholders' equity	$12,802,445	$13,097,881

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

Alexion Pharmaceuticals, Inc.
Condensed Consolidated Statements of Operations
(unaudited)
(amounts in thousands, except per share amounts)

	Three months ended March 31,	
	2016	2015
Net product sales	$700,425	$600,333
Other revenue	613	—
Total revenues	701,038	600,333
Cost of sales	58,986	69,399
Operating expenses:		
Research and development	176,290	221,080
Selling, general and administrative	232,561	187,116
Amortization of purchased intangible assets	80,094	—
Change in fair value of contingent consideration	(14,800)	11,979
Acquisition-related costs	1,339	—
Restructuring expenses	722	7,052
Total operating expenses	476,206	427,227
Operating income	165,846	103,707
Other income and expense:		
Investment income	1,551	2,884
Interest expense	(23,890)	(651)
Foreign currency gain	91	1,005
Income before income taxes	143,598	106,945
Income tax provision	51,432	15,622
Net income	$92,166	$91,323
Earnings per common share		
Basic	$0.41	$0.46
Diluted	$0.41	$0.45
Shares used in computing earnings per common share		
Basic	225,060	199,361
Diluted	226,873	202,034

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

Alexion Pharmaceuticals, Inc.
Condensed Consolidated Statements of Comprehensive Income
(unaudited)
(amounts in thousands)

	Three months ended March 31,	
	2016	2015
Net income	$92,166	$91,323
Other comprehensive income (loss), net of tax:		
Foreign currency translation	1,996	(5,388)
Unrealized gains on marketable securities	1,498	1,057
Unrealized gains (losses) on pension obligation	2,121	(252)
Unrealized (losses) gains on hedging activities, net of tax of $(35,650), and $38,175, respectively	(64,101)	67,287
Other comprehensive (loss) income, net of tax	(58,486)	62,704
Comprehensive income	$33,680	$154,027

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

Alexion Pharmaceuticals, Inc.
Condensed Consolidated Statements of Cash Flows
(unaudited)
(amounts in thousands)

	Three months ended March 31,	
	2016	2015
Cash flows from operating activities:		
Net income	$92,166	$91,323
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	96,783	10,578
Change in fair value of contingent consideration	(14,800)	11,979
Share-based compensation expense	56,889	42,797
Premium amortization of available-for-sale securities	515	3,178
Deferred taxes	29,332	(24,823)
Change in excess tax benefit from stock options	(5,917)	(52,521)
Unrealized foreign currency gain	(13,762)	(3,916)
Unrealized loss (gain) on forward contracts	17,098	(434)
Other	609	7,377
Changes in operating assets and liabilities, excluding the effect of acquisitions:		
Accounts receivable	(37,287)	(58,918)
Inventories	(3,838)	2,626
Prepaid expenses and other assets	(65,216)	(38,980)
Accounts payable, accrued expenses and other liabilities	(42,460)	(13,659)
Deferred revenue	57,872	46,427
Net cash provided by operating activities	167,984	23,034
Cash flows from investing activities:		
Purchases of available-for-sale securities	(207,996)	(166,319)
Proceeds from maturity or sale of available-for-sale securities	269,495	176,256
Purchases of trading securities	(3,042)	(2,236)
Purchases of property, plant and equipment	(64,204)	(57,075)
Other	82	951
Net cash used in investing activities	(5,665)	(48,423)
Cash flows from financing activities:		
Payments on term loan	(175,000)	(12,000)
Change in excess tax benefit from stock options	5,917	52,521
Repurchase of common stock	(296,515)	(60,026)
Net proceeds from issuance of common stock under share-based compensation arrangements	3,433	24,882
Other	(4,092)	(303)
Net cash (used in) provided by financing activities	(466,257)	5,074
Effect of exchange rate changes on cash	4,025	(6,870)
Net change in cash and cash equivalents	(299,913)	(27,185)
Cash and cash equivalents at beginning of period	1,010,111	943,999
Cash and cash equivalents at end of period	$710,198	$916,814
Supplemental cash flow disclosures from investing and financing activities:		
Capitalization of construction costs related to facility lease obligations	$25,647	$7,813
Accrued expenses for purchases of property, plant and equipment	$24,840	$11,436

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

5

Alexion Pharmaceuticals, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)
(amounts in thousands, except per share amounts)

1. Business

Alexion Pharmaceuticals, Inc. (Alexion, the Company, we, our or us) is a biopharmaceutical company focused on serving patients with devastating and ultra-rare disorders through the innovation, development and commercialization of life-transforming therapeutic products.

In our complement franchise, Soliris® (eculizumab) is the first and only therapeutic approved for patients with either paroxysmal nocturnal hemoglobinuria (PNH), a life-threatening and ultra-rare genetic blood disorder, or atypical hemolytic uremic syndrome (aHUS), a life-threatening and ultra-rare genetic disease. PNH and aHUS are two severe and ultra-rare disorders resulting from chronic uncontrolled activation of the complement component of the immune system.

In our metabolic franchise, we market Strensiq® (asfotase alfa) for the treatment of patients with hypophosphatasia (HPP) and Kanuma® (sebelipase alfa) for the treatment of patients with lysosomal acid lipase deficiency (LAL-D). HPP is a genetic ultra-rare disease characterized by defective bone mineralization that can lead to deformity of bones and other skeletal abnormalities. LAL-D is a serious, life threatening ultra-rare disease in which genetic mutations result in decreased activity of the LAL enzyme leading to marked accumulation of lipids in vital organs, blood vessels and other tissues.

We are also evaluating additional potential indications for eculizumab in other severe and devastating diseases in which uncontrolled complement activation is the underlying mechanism, and we are progressing in various stages of development with additional product candidates as potential treatments for patients with severe and life-threatening rare disorders.

2. Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. These accounting principles were applied on a basis consistent with those of the consolidated financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2015. In our opinion, the accompanying unaudited consolidated financial statements include all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of our financial statements for interim periods in accordance with accounting principles generally accepted in the United States. The condensed consolidated balance sheet data as of December 31, 2015 was derived from audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States. These interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2015 included in our Annual Report on Form 10-K. The results of operations for the three months ended March 31, 2016 are not necessarily indicative of the results to be expected for the full year.

The financial statements of our subsidiaries with functional currencies other than the U.S. dollar are translated into U.S. dollars using period-end exchange rates for assets and liabilities, historical exchange rates for stockholders' equity and weighted average exchange rates for operating results. Translation gains and losses are included in accumulated other comprehensive income (loss), net of tax, in stockholders' equity. Foreign currency transaction gains and losses are included in the results of operations in other income and expense.

The accompanying unaudited condensed consolidated financial statements include the accounts of Alexion Pharmaceuticals, Inc. and its subsidiaries. All intercompany balances and transactions have been eliminated in

consolidation.

Our significant accounting policies are described in Note 1 of the Notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2015.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued a comprehensive new standard which amends revenue recognition principles and provides a single set of criteria for revenue recognition among all industries. The new standard provides a five step framework whereby revenue is recognized when promised goods or services are transferred to a customer at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also requires enhanced disclosures pertaining to revenue recognition in both interim and annual periods. The standard is effective for interim and annual periods beginning after December 15, 2017 and allows for adoption using a full retrospective method, or a modified retrospective method. Entities may elect to early adopt the standard for annual periods beginning after December 15, 2016. We are currently assessing the method of adoption and the expected impact the new standard has on our financial position and results of operations.

Alexion Pharmaceuticals, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)
(amounts in thousands, except per share amounts)

In April 2015, the FASB issued a new standard simplifying the presentation of debt issuance costs. The new standard aligns the treatment of debt issuance costs with debt discounts and premiums and requires debt issuance costs be presented as a direct deduction from the carrying amount of the related debt. We have adopted the provisions of this standard in the first quarter 2016 and reclassified $8,635 of deferred financing costs from other current assets to the current portion of long term debt and $26,714 other non current assets to the long-term debt, less current portion in our consolidated balance sheets as of December 31, 2015.
In April 2015, the FASB issued a new standard clarifying the accounting for a customer's fees paid in a cloud computing arrangement. Under this standard, if a cloud computing arrangement includes a software license, the customer would account for the software license consistent with other software licenses. If a cloud computing arrangement does not include a software license, the customer would account for the arrangement as a service contract. We adopted the provisions of this standard in the first quarter 2016. The adoption did not have a material effect on our financial condition or results of operations.
In February 2016, the FASB issued a new standard requiring that the rights and obligations arising from leases be recognized on the balance sheet by recording a right-of-use asset and corresponding lease liability. The new standard also requires qualitative and quantitative disclosures to understand the amount, timing, and uncertainty of cash flows arising from leases as well as significant management estimates utilized. The standard is effective for interim and annual periods beginning after December 15, 2018 and requires a modified retrospective adoption. We are currently assessing the impact of this standard on our financial condition and results of operations.
In March 2016, the FASB issued a new standard simplifying aspects of the accounting for employee share-based payments, including the accounting for income taxes, forfeitures, statutory withholding requirements, and classification on the statement of cash flows. The standard is effective for interim and annual periods beginning after December 15, 2016, with early adoption permitted. We are currently assessing the impact of this standard on our financial condition and results of operations.

3. Acquisitions

On May 6, 2015, we announced that we entered into a definitive agreement to acquire Synageva BioPharma Corp. (Synageva), a publicly-held clinical-stage biotechnology company based in Lexington, Massachusetts for per share consideration of $115 in cash and 0.6581 shares of Alexion stock. At this date, the announced purchase consideration was estimated at approximately $8,400,000, net of Synageva cash, based on the closing price of Alexion stock on May 5, 2015 of $168.55.
On June 22, 2015, we completed the acquisition of Synageva, in a transaction accounted for under the acquisition method of accounting for business combinations. Under the acquisition method of accounting, the assets acquired and liabilities assumed from Synageva were recorded as of the acquisition date at their respective fair values. Synageva's results of operations are included in the consolidated financial statements from the date of acquisition. The acquisition furthers our objective to develop and commercialize life-transforming therapies to an increasing number of patients with devastating and rare diseases. Synageva's lead product candidate, Kanuma.
We acquired all of the outstanding shares of common stock of Synageva for $4,565,524 in cash and 26,125 shares of common stock. At closing of the business combination on June 22, 2015, the purchase consideration was approximately $8,860,000, net of Synageva cash, based on Alexion's closing share price on the date of acquisition of $188.24. We financed the cash consideration with existing cash and proceeds from our new credit facility described further in Note 6.

The aggregate consideration to acquire Synageva consisted of:

Stock consideration	$4,917,810
Cash consideration	4,565,524
Total purchase price	$9,483,334

Alexion Pharmaceuticals, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)
(amounts in thousands, except per share amounts)

The following table summarizes the estimated fair values of assets acquired and liabilities assumed:

Cash	$626,217
Inventory	23,880
In-process research and development (IPR&D)	4,236,000
Deferred tax liabilities, net	(171,638)
Other assets and liabilities	(26,373)
Net assets acquired	4,688,086
Goodwill	4,795,248
Total purchase price	$9,483,334

Our accounting for this acquisition is preliminary. The fair value estimates for the assets acquired and liabilities assumed were based upon preliminary calculations, and our estimates and assumptions are subject to change as we obtain additional information for our estimates during the measurement period (up to one year from the acquisition date). The areas of these preliminary estimates that are not yet finalized relate primarily to tax-related items and potential contingent liabilities.

We acquired $23,880 of Kanuma inventory. The estimated fair value of work-in-process and finished goods inventory was determined utilizing the comparative sales method, based on the expected selling price of the inventory, adjusted for incremental costs to complete the manufacturing process and for direct selling efforts, as well as for a reasonable profit allowance. The estimated fair value of raw material inventory was valued at replacement cost, which is equal to the value a market participant would pay to acquire the inventory.

Intangible assets associated with IPR&D projects primarily relate to Synageva's lead product candidate, Kanuma. The estimated fair value of IPR&D assets of $4,236,000 was determined using the multi-period excess earnings method, a variation of the income approach. The multi-period excess earnings method estimates the value of an intangible asset equal to the present value of the incremental after-tax cash flows attributable to that intangible asset. The fair value using the multi-period excess earnings method was dependent on an estimated weighted average cost of capital for Synageva of 10%, which represents a rate of return that a market participant would expect for these assets.

The excess of purchase price over the fair value amounts of the assets acquired and liabilities assumed represents the goodwill amount resulting from the acquisition. The goodwill, which is not tax-deductible, has been recorded as a noncurrent asset and is not amortized, but is subject to an annual review for impairment. The goodwill represents future economic benefits arising from other assets acquired that could not be individually identified and separately recognized and expected synergies that are specific to our business and not available to market participants, including our unique ability to commercialize therapies for rare diseases, our existing relationships with specialty physicians who can identify patients with LAL-D, a global distribution network to facilitate drug delivery and other benefits that we believe will result from combining the operations of Synageva within our operations.

We recorded a net deferred tax liability of $171,638. This amount was primarily comprised of $602,887 of deferred tax liabilities related to the IPR&D and inventory acquired, offset by $431,249 of deferred tax assets related to net operating loss carryforwards (NOLs), tax credits, and other temporary differences, which we expect to utilize.

Acquisition-Related Costs

Acquisition-related costs associated with our business combinations for the years ended for the three months ended, March 31, 2016 and 2015 include the following:

	Three months ended March 31,

	2016	2015
Transaction costs [1]	$375	$ —
Integration costs	964	—
	$1,339	$ —

(1) Transaction costs include investment advisory, legal, and accounting fees

Alexion Pharmaceuticals, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)
(amounts in thousands, except per share amounts)

4. Inventories

Inventories are stated at the lower of cost or estimated realizable value. We determine the cost of inventory on a standard cost basis, which approximates average costs.

The components of inventory are as follows:

	March 31, 2016	December 31, 2015
Raw materials	$16,948	$ 17,924
Work-in-process	162,979	180,324
Finished goods	114,035	91,626
	$293,962	$ 289,874

5. Intangible Assets and Goodwill

The following table summarizes the carrying amount of our intangible assets and goodwill, net of accumulated amortization:

		March 31, 2016			December 31, 2015		
	Estimated Life (years)	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Licenses	6-8	$28,507	$ (28,507)	$—	$28,507	$ (28,504)	$3
Patents	7	10,517	(10,517)	—	10,517	(10,517)	—
Purchased technology	6-16	4,708,495	(196,678)	4,511,817	4,708,495	(116,584)	4,591,911
Acquired IPR&D	Indefinite	116,000	—	116,000	116,000	—	116,000
Total		$4,863,519	$ (235,702)	$4,627,817	$4,863,519	$ (155,605)	$4,707,914
Goodwill	Indefinite	$5,052,222	$ (2,901)	$5,049,321	$5,050,786	$ (2,901)	$5,047,885

Amortization expense was $80,097 and $11 for the three months ended March 31, 2016 and 2015, respectively. Total estimated amortization expense for finite-lived intangible assets is $240,106 for the nine months ending December 31, 2016, and $320,142 for each of the years ending December 31, 2017 through December 31, 2021.

The following table summarizes the changes in the carrying amount of goodwill:

Balance at December 31, 2015	$5,047,885
Change in goodwill associated with prior acquisition	1,436
Balance at March 31, 2016	$5,049,321

6. Debt

In June 2015, Alexion entered into a credit agreement (Credit Agreement) with a syndicate of banks, which provides for a $3,500,000 term loan facility and a $500,000 revolving credit facility maturing in five years. Borrowings under the term loan are payable in quarterly installments equal to 1.25% of the original loan amount, beginning December 31, 2015. Final repayment of the term loan and revolving credit loans are due on June 22, 2020. In addition to borrowings in which prior notice is required, the revolving credit facility includes a sublimit of $100,000 in the form of letters of credit and borrowings on same-day notice, referred to as swingline loans, of up to $25,000. Borrowings

can be used for working capital requirements, acquisitions and other general corporate purposes. With the consent of the lenders and the administrative agent, and subject to satisfaction of certain conditions, we may increase the term loan facility and/or the revolving credit facility in an amount that does not cause our consolidated net leverage ratio to exceed the maximum allowable amount.

In connection with entering into the Credit Agreement, we paid $45,492 in financing costs which are being amortized as interest expense over the life of the debt. Amortization expense associated with deferred financing costs for the three months ended March 31, 2016 was $2,513.

Alexion Pharmaceuticals, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)
(amounts in thousands, except per share amounts)

We made principle payments of $175,000 during the three months ended March 31, 2016. As of March 31, 2016, we had $3,281,250 outstanding on the term loan. As of March 31, 2016, we had open letters of credit of $12,970, and our borrowing availability under the revolving facility was $487,030.
The fair value of our long term debt, which is measured using Level 2 inputs, approximates book value.

7. Earnings Per Common Share

Basic earnings per common share (EPS) is computed by dividing net income by the weighted-average number of shares of common stock outstanding. For purposes of calculating diluted EPS, the denominator reflects the potential dilution that could occur if stock options, unvested restricted stock, unvested restricted stock units or other contracts to issue common stock were exercised or converted into common stock, using the treasury stock method.
The following table summarizes the calculation of basic and diluted EPS for the three months ended March 31, 2016 and 2015:

	Three months ended March 31,	
	2016	2015
Net income used for basic and diluted calculation	$92,166	$91,323
Shares used in computing earnings per common share—basic	225,060	199,361
Weighted-average effect of dilutive securities:		
Stock awards	1,813	2,673
Shares used in computing earnings per common share—diluted	226,873	202,034
Earnings per common share:		
Basic	$0.41	$0.46
Diluted	$0.41	$0.45

We exclude from EPS the weighted-average number of securities whose effect is anti-dilutive. Excluded from the calculation of EPS for the three months ended March 31, 2016 and 2015 were 3,975 and 2,248 shares of common stock, respectively, because their effect was anti-dilutive.

8. Marketable Securities

The amortized cost, gross unrealized holding gains, gross unrealized holding losses and estimated fair value of available-for-sale investments by type of security at March 31, 2016 and December 31, 2015 were as follows:

	March 31, 2016			
	Amortized Cost Basis	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Aggregate Fair Value
Commercial paper	$3,999	$ —	$ —	$3,999
Corporate bonds	136,009	553	(3)	136,559
Municipal bonds	50,470	43	(2)	50,511
Other government-related obligations:				
U.S.	13,643	43	(27)	13,659
Foreign	141,593	244	(19)	141,818
	$345,714	$ 883	$ (51)	$346,546

10

Alexion Pharmaceuticals, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)
(amounts in thousands, except per share amounts)

	December 31, 2015			
	Amortized Cost Basis	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Aggregate Fair Value
Commercial paper	$254,396	$ —	$ —	$254,396
Corporate bonds	133,062	23	(336)	132,749
Municipal bonds	87,173	1	(63)	87,111
Other government-related obligations:				
U.S.	25,244	—	(94)	25,150
Foreign	163,403	—	(504)	162,899
Bank certificates of deposit	27,000	—	—	27,000
	$690,278	$ 24	$ (997)	$689,305

The aggregate fair value of available-for-sale securities in an unrealized loss position as of March 31, 2016 and December 31, 2015 was $62,496 and $293,947, respectively. Investments that have been in a continuous unrealized loss position for more than 12 months were not material. As of March 31, 2016, we believe that the cost basis of our available-for-sale investments is recoverable.

The fair values of available-for-sale securities by classification in the condensed consolidated balance sheet were as follows:

	March 31, 2016	December 31, 2015
Cash and cash equivalents	$40,999	$ 323,218
Marketable securities	305,547	366,087
	$346,546	$ 689,305

The fair values of available-for-sale debt securities at March 31, 2016, by contractual maturity, are summarized as follows: