

FIBROGEN INC
Form 10-Q
August 08, 2016

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 June 30, 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: 001-36740

FIBROGEN, INC.

(Exact name of registrant as specified in its charter)

Delaware 77-0357827
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

409 Illinois Street
San Francisco, CA 94158
(Address of Principal Executive Offices) (Zip Code)

(415) 978-1200

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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:

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 Exchange Act Rule 12b-2). Yes No

The number of shares of common stock outstanding as of July 31, 2016 was 62,788,159.

FIBROGEN, INC.

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FIBROGEN, INC.

PART I—FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except per share amounts)

(Unaudited)

	June 30, 2016	December 31, 2015 (Note 1)
Assets		
Current assets:		
Cash and cash equivalents	\$ 190,411	\$ 153,324
Short-term investments	40,105	27,847
Accounts receivable (\$13,365 and \$4,455 from a related party)	18,088	15,405
Prepaid expenses and other current assets	3,705	3,988
Total current assets	252,309	200,564
Restricted cash	7,254	7,254
Long-term investments	111,540	131,720
Property and equipment, net	126,264	129,020
Other assets	1,762	2,016
Total assets	\$ 499,129	\$ 470,574
Liabilities, stockholders' equity and non-controlling interests		
Current liabilities:		
Accounts payable	\$ 3,474	\$ 6,521
Accrued liabilities (\$1,351 and \$2,045 to related parties)	47,942	47,932
Deferred revenue	15,027	12,728
Total current liabilities	66,443	67,181
Long-term portion of lease financing obligations	97,395	97,042
Product development obligations	15,515	15,085
Deferred rent	4,461	4,702
Deferred revenue, net of current	97,947	85,132
Other long-term liabilities	4,991	4,607
Total liabilities	286,752	273,749
Commitments and Contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value; 125,000 shares authorized at June 30, 2016 and	—	—

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December 31, 2015; no shares issued and outstanding at June 30, 2016

and December 31, 2015

Common stock, \$0.01 par value; 225,000 shares authorized at June 30, 2016 and

December 31, 2015; 62,742 and 61,985 shares issued and outstanding at

June 30, 2016 and December 31, 2015	627	620
Additional paid-in capital	605,089	586,647
Accumulated other comprehensive loss	(1,024)	(1,651)
Accumulated deficit	(411,586)	(408,062)
Total stockholders' equity	193,106	177,554
Non-controlling interests	19,271	19,271
Total equity	212,377	196,825
Total liabilities, stockholders' equity and non-controlling interests	\$499,129	\$470,574

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

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FIBROGEN, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenue:				
License and milestone revenue (includes \$13,043, \$4,860, \$16,356 and \$9,552 from a related party)	\$73,197	\$106,879	\$92,935	\$118,385
Collaboration services and other revenue (includes \$326, \$719, \$678 and \$1,353 from a related party)	16,083	13,671	24,628	18,463
Total revenue	89,280	120,550	117,563	136,848
Operating expenses:				
Research and development	52,392	51,555	96,041	102,094
General and administrative	10,376	9,680	21,794	20,162
Total operating expenses	62,768	61,235	117,835	122,256
Income (loss) from operations	26,512	59,315	(272)	14,592
Interest and other, net				
Interest expense	(2,438)	(2,762)	(5,215)	(5,520)
Interest income and other, net	129	707	1,545	1,550
Total interest and other, net	(2,309)	(2,055)	(3,670)	(3,970)
Income (loss) before income taxes	24,203	57,260	(3,942)	10,622
Provision for (benefit from) income taxes	(113)	205	(418)	(66)
Net income (loss)	\$24,316	\$57,055	\$(3,524)	\$10,688
Net income (loss) per share:				
Basic	\$0.39	\$0.95	\$(0.06)	\$0.18
Diluted	\$0.35	\$0.83	\$(0.06)	\$0.15
Weighted average number of common shares used to calculate net income (loss) per share:				
Basic	62,582	59,798	62,383	59,499
Diluted	69,022	68,752	62,383	69,354

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

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FIBROGEN, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income (loss)	\$24,316	\$57,055	\$(3,524)	\$10,688
Other comprehensive income (loss):				
Foreign currency translation adjustments	380	508	(262)	2,213
Available-for-sale investments:				
Unrealized gain (loss) on investments, net of tax effect	300	(368)	889	343
Reclassification from accumulated other comprehensive loss	—	(25)	—	(30)
Net change in unrealized gain (loss) on available-for-sale investments	300	(393)	889	313
Other comprehensive income, net of taxes	680	115	627	2,526
Comprehensive income (loss)	\$24,996	\$57,170	\$(2,897)	\$13,214

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

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FIBROGEN, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six Months Ended June 30,	
	2016	2015
Operating activities		
Net income (loss)	\$(3,524)	\$10,688
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	3,007	2,796
Amortization of premium on investments	1,391	1,538
Unrealized foreign exchange gain on short-term investments	(273)	—
Loss on disposal of property and equipment	—	100
Stock-based compensation	15,744	13,388
Tax benefit on unrealized gain on available-for-sale securities	(479)	(66)
Changes in operating assets and liabilities:		
Accounts receivable	(2,683)	1,270
Prepaid expenses and other current assets	283	2,235
Other assets	254	(205)
Accounts payable	(3,047)	(636)
Accrued liabilities	537	(3,140)
Deferred revenue	15,114	30,414
Lease financing liability	554	312
Other long-term liabilities	542	163
Net cash provided by operating activities	27,420	58,857
Investing activities		
Purchases of property and equipment	(1,019)	(989)
Purchases of available-for-sale securities	(46)	—
Proceeds from maturities of available-for-sale securities	8,217	7,035
Net cash provided by investing activities	7,152	6,046
Financing activities		
Repayments of lease liability	(201)	(201)
Cash paid for payroll taxes on restricted stock unit releases	(1,791)	—
Proceeds from issuance of common stock	4,496	5,608
Net cash provided by financing activities	2,504	5,407
Effect of exchange rate change on cash and cash equivalents	11	771
Net increase in cash and cash equivalents	37,087	71,081
Cash and cash equivalents at beginning of period	153,324	165,455
Cash and cash equivalents at end of period	\$190,411	\$236,536

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

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FIBROGEN, INC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Significant Accounting Policies

Description of Operations

FibroGen, Inc. (“FibroGen” or the “Company”) was incorporated in 1993 in Delaware and is a research-based biopharmaceutical company focused on the discovery, development and commercialization of novel therapeutics agents to treat serious unmet medical needs. The Company’s focus in the areas of fibrosis and hypoxia-inducible factor (“HIF”) biology has generated multiple programs targeting various therapeutic areas. The Company’s most advanced product candidate, roxadustat, or FG-4592, is an oral small molecule inhibitor of HIF prolyl hydroxylases in Phase 3 clinical development for the treatment of anemia in chronic kidney disease. Pamrevlumab, or FG-3019, is the Company’s monoclonal antibody in Phase 2 clinical development for the treatment of idiopathic pulmonary fibrosis, pancreatic cancer, Duchenne muscular dystrophy and liver fibrosis. We have taken a global approach with respect to the development and future commercialization of our product candidates, and this includes development and commercialization in the People’s Republic of China (“China”).

Basis of Presentation and Principles of Consolidation

The condensed consolidated financial statements include the accounts of FibroGen, its wholly owned subsidiaries and its majority-owned subsidiaries, FibroGen Europe Oy and FibroGen China Anemia Holdings, Ltd. (“FibroGen China”). All inter-company transactions and balances have been eliminated in consolidation. The Company operates in one segment — the discovery, development and commercialization of novel therapeutics to treat serious unmet medical needs.

The unaudited condensed consolidated financial statements and related disclosures have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) applicable to interim financial reporting and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X of the United States (“U.S.”) Securities and Exchange Commission (“SEC”) and, therefore, do not include all information and footnote disclosures normally included in the annual consolidated financial statements. The December 31, 2015 condensed consolidated balance sheet data contained within this Form 10-Q was derived from audited consolidated financial statements included in the Company’s Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2015 (“2015 Form 10-K”), but does not include all disclosures required by U.S. GAAP.

The financial information included herein should be read in conjunction with the consolidated financial statements and related notes in the 2015 Form 10-K. The accounting policies used by the Company in its presentation of interim financial results are consistent with those presented in Note 2 to the consolidated financial statements included in the 2015 Form 10-K.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In our opinion, the accompanying unaudited condensed consolidated financial statements include all normal recurring adjustments

necessary for a fair presentation of our financial position, results of operations and cash flows for the interim periods presented.

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Net Income per Share

The following is a reconciliation of the basic and diluted net income (loss) per share calculation for the periods presented (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income (loss)	\$24,316	\$57,055	\$(3,524)	\$10,688
Weighted average shares used to compute net income per share:				
Basic	62,582	59,798	62,383	59,499
Dilutive effect of potential common shares	6,440	8,954	-	9,855
Diluted	69,022	68,752	62,383	69,354
Net income (loss) per share:				
Basic	\$0.39	\$0.95	\$(0.06)	\$0.18
Diluted	\$0.35	\$0.83	\$(0.06)	\$0.15

Diluted shares did not include 6.6 million and 3.8 million securities for the three months ended June 30, 2016 and 2015, and 1.8 million securities for the six months ended June 30, 2015, as they were anti-dilutive.

Recently Issued Accounting Guidance Not Yet Adopted

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This guidance requires that financial assets measured at amortized cost be presented at the net amount expected to be collected. The measurement of expected credit losses is based on historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability. This guidance is effective for the annual reporting period beginning after December 15, 2019, including interim periods within that reporting period. The Company is currently evaluating the impact on its consolidated financial statements upon the adoption of this guidance.

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718). This guidance identifies areas for simplification involving several aspects of accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. This guidance is effective for the annual reporting period beginning after December 15, 2016, including interim periods within that reporting period, with early adoption permitted. The Company is currently evaluating the impact on its consolidated financial statements upon the adoption of this guidance.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). Under this guidance, an entity is required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. This guidance offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. This guidance is effective for the annual reporting period beginning after December 15, 2018, including interim periods within that reporting period, and requires a modified retrospective adoption, with early adoption permitted. The Company is currently evaluating the impact on its consolidated financial statements upon the adoption of this guidance.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments-Overall (Subtopic 825-10). This guidance requires equity investments that are not accounted for under the equity method of accounting to be measured at fair value with changes recognized in net income, simplifies the impairment assessment of certain equity investments, and updates certain presentation and disclosure requirements. This guidance is effective for the annual reporting period beginning after December 15, 2017 and interim periods within those annual periods. The Company is currently evaluating the impact on its consolidated financial statements upon the adoption of this guidance.

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In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. This guidance requires management to evaluate, at each interim and annual reporting period, whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued, and provide related disclosures. This guidance will be effective for annual period ending after December 15, 2016, and for annual and interim periods thereafter. Early adoption is permitted. The Company does not expect a material impact on its consolidated financial statements upon the adoption of this guidance.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"), which supersedes the revenue recognition requirements in Accounting Standards Codification ("ASC") 605, Revenue Recognition. ASU 2014-09 is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 can be adopted either retrospectively to each prior reporting period presented, or retrospectively with a cumulative-effect adjustment recognized as of the date of adoption. In April 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing ("ASU 2016-10"), which clarifies the implementation guidance on identifying performance obligations in a contract and determining whether an entity's promise to grant a license provides a customer with either a right to use the entity's intellectual property (which is satisfied at a point in time) or a right to access the entity's intellectual property (which is satisfied over time). In May 2016, the FASB issued ASU 2016-11, Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815) ("ASU 2016-11"), which rescinds SEC paragraphs pursuant to SEC staff announcements. These rescissions include changes to topics pertaining to accounting for shipping and handling fees and costs and accounting for consideration given by a vendor to a customer. In May 2016, the FASB issued ASU 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients ("ASU 2016-12"), which amends the guidance in the new revenue standard on collectability, non-cash consideration, presentation of sales tax, and transition, to address implementation issues and provide additional practical expedients to reduce the cost and complexity of applying the new revenue standard. The effective date and transition requirements for ASU 2016-10, ASU 2016-11 and ASU 2016-12 are same as those for ASU 2014-09 (as amended by ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, issued in August 2015), i.e. for the annual reporting period beginning after December 15, 2017, including interim periods within that reporting period. A reporting entity may choose to early adopt the guidance as of the original effective date. The Company does not anticipate an early adoption, and is currently evaluating the impact on its consolidated financial statements upon the adoption of these ASUs.

2. Collaboration Agreements

Astellas Agreements

Japan Agreement

In June 2005, the Company entered into a collaboration agreement with Astellas Pharma Inc. ("Astellas") for the development and commercialization (but not manufacture) of roxadustat for the treatment of anemia in Japan ("Japan Agreement"). Under this agreement, Astellas paid license fees and other consideration totaling \$40.1 million (such amounts were fully received as of February 2009). The Japan Agreement also provides for additional development and regulatory approval milestone payments up to \$117.5 million, a commercial sales related milestone of \$15.0 million and additional consideration based on net sales (as defined) in the low 20% range after commercial launch. A clinical milestone payment of \$12.5 million was received in 2013. During the second quarter of 2016, the Company recognized \$10.0 million revenue as a result of the initiation by Astellas of the first Phase 3 clinical study in

Japan of roxadustat for treatment of anemia associated with chronic kidney disease in patients on dialysis. The amount was received in early July 2016. The Company evaluated the criteria under ASC 605-28 and concluded that the aforementioned milestone was substantive.

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Europe Agreement

In April 2006, the Company entered into a separate collaboration agreement with Astellas for the development and commercialization of roxadustat for the treatment of anemia in Europe, the Middle East, the Commonwealth of Independent States and South Africa (“Europe Agreement”). Under the terms of the Europe Agreement, Astellas paid license fees and other upfront consideration totaling \$320.0 million (such amounts were fully received as of February 2009). The Europe Agreement also provides for additional development and regulatory approval milestone payments up to \$425.0 million. Clinical milestone payments of \$40.0 million and \$50.0 million were received in 2010 and 2012, respectively. The Company evaluated the criteria under ASC 605-28 and concluded that each of those milestones was substantive. Under the Europe Agreement, Astellas committed to fund 50% of joint development costs for Europe and North America, and all territory-specific costs. The Europe Agreement also provides for tiered payments based on net sales of product (as defined) in the low 20% range.

AstraZeneca Agreements

U.S./Rest of World Agreement

Effective July 30, 2013, the Company entered into a collaboration agreement with AstraZeneca AB (“AstraZeneca”) for the development and commercialization of roxadustat for the treatment of anemia in the U.S. and all other countries in the world, other than China, not previously licensed under the Astellas Europe and Astellas Japan Agreements (“U.S./RoW Agreement”). It also excludes China, which is covered by a separate agreement with AstraZeneca described below. Under the terms of the U.S./RoW Agreement, AstraZeneca has agreed to pay upfront, non-contingent and time-based payments totaling \$374.0 million, the last \$62.0 million of which was received during the second quarter of 2016. In addition, the U.S./RoW Agreement also provides for development and regulatory approval based milestone payments of up to \$550.0 million, which include potential future indications which the companies choose to pursue, and commercial related milestone payments of up to \$325.0 million. During the second quarter of 2015, the Company received a \$15.0 million development milestone payment as a result of the finalization of its two audited pre-clinical carcinogenicity study reports. The Company evaluated the criteria under ASC 605-28 and concluded that the aforementioned milestone was substantive.

Under the U.S./RoW Agreement, the Company and AstraZeneca will share equally in the development costs of roxadustat not already paid for by Astellas, up to a total of \$233.0 million (i.e. the Company’s share of development costs is \$116.5 million, which was reached during the fourth quarter of 2015). Any additional development costs incurred by FibroGen during the development period in excess of the \$233.0 million (aggregated spend) will be fully reimbursed by AstraZeneca. AstraZeneca will pay the Company tiered royalty payments on AstraZeneca’s future net sales (as defined in the agreement) of roxadustat in the low 20% range. In addition, the Company will receive a transfer price for delivery of commercial product based on a percentage of AstraZeneca’s net sales (as defined in the agreement) in the low- to mid-single digit range.

China Agreement

Effective July 30, 2013, the Company (through its subsidiaries affiliated with China) entered into a collaboration agreement with AstraZeneca for the development and commercialization (but not manufacture) of roxadustat for the treatment of anemia in China (“China Agreement”). Under the terms of the China Agreement, AstraZeneca agreed to pay upfront consideration totaling \$28.2 million, which were fully received in 2014. In addition, the China Agreement provides for AstraZeneca to pay regulatory approval and other approval related milestones of up to \$161.0 million. The China Agreement also provides for sales related milestone payments of up to \$167.5 million and contingent payments of \$20.0 million related to possible future compounds. The China Agreement is structured as a 50/50 profit or loss share (as defined) and provides for joint development costs (including capital and equipment costs for

construction of the manufacturing plant in China), to be shared equally during the development.

Summary of Revenue Recognized Under the Collaboration Agreements

The table below summarizes the accounting treatment for the various deliverables pursuant to each of the Astellas and AstraZeneca agreements. License amounts identified below are included in the “License and milestone revenue” line item in the condensed consolidated statements of operations. All other elements identified below are included in the “Collaboration services and other revenue” line item in the condensed consolidated statements of operations.

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Amounts recognized as revenue under the Japan Agreement were as follows (in thousands):

Agreement Deliverable		Three Months		Six Months	
		Ended June 30, 2016	2015	Ended June 30, 2016	2015
Japan	License	\$43	\$ 91	\$118	\$528
	Milestones	10,000	—	10,000	—
	Total license and milestone revenue	10,043	\$ 91	\$10,118	\$528
	Collaboration services revenue*	3	\$ 42	\$7	\$100

*When and if available compounds, manufacturing — clinical supplies and committee services have each been identified as separate units of accounting with standalone value and amounts allocable to these elements have been recognized and classified within the Collaboration services revenue line item within the condensed consolidated statements of operations.

The total arrangement consideration has been allocated to each of the following deliverables under the Japan Agreement, along with any associated deferred revenue as follows (in thousands):

	Cumulative		Total Consideration Through
	Revenue Through June 30, 2016	Deferred Revenue at June 30, 2016	
License	\$ 42,362	\$ —	\$ 42,362
When and if available compounds	15	27	42
Manufacturing--clinical supplies	1,971	—	1,971
Committee services	17	—	17
Total license and collaboration services revenue	\$ 44,365	\$ 27	\$ 44,392

Amounts recognized as revenue under the Europe Agreement were as follows (in thousands):

Agreement Deliverable		Three Months		Six Months	
		Ended June 30, 2016	2015	Ended June 30, 2016	2015
Europe	License	\$3,000	\$4,769	\$6,238	\$9,024
	Milestones	—	—	—	—
	Total license and milestone revenue	3,000	4,769	6,238	9,024
	Collaboration services revenue*	\$323	\$677	\$671	\$1,253

*

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When and if available compounds, manufacturing — clinical supplies, development services — in progress at the time of signing of the agreement, and committee services have each been identified as a separate unit of accounting with standalone value and amounts allocable to these units have been recognized in revenue as services are performed and classified within the Collaboration services revenue line item within the condensed consolidated statements of operations.

The total arrangement consideration has been allocated to each of the following deliverables under the Europe Agreement, along with any associated deferred revenue as follows (in thousands):

Cumulative

Revenue

Through

June
30, 2016