PROGENICS PHARMACEUTICALS INC
Form 10-Q
May 09, 2018

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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 March 31, 2018
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 No. 000-23143

PROGENICS PHARMACEUTICALS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**13-3379479**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

One World Trade Center, 47th Floor
New York, NY 10007
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (646) 975-2500

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 (§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 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, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act:

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company
Emerging growth company		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of May 4, 2018, a total of 73,718,684 shares of common stock, par value $0.0013 per share, were outstanding.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

PROGENICS PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

	March 31, 2018 (unaudited)	December 31, 2017 (audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 83,431	$90,642
Restricted cash	2,444	-
Accounts receivable, net	3,512	3,972
Other current assets	2,455	2,256
Total current assets	91,842	96,870
Property and equipment, net	3,905	4,122
Intangible assets, net	30,316	30,369
Goodwill	13,074	13,074
Restricted cash	1,524	1,522
Total assets	**$ 140,661**	**$145,957**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,596	$3,359
Accrued expenses	7,920	9,555
Current portion of debt, net	4,735	2,445
Total current liabilities	14,251	15,359
Long-term debt, net	45,015	47,242
Contingent consideration liability	17,600	16,800
Deferred tax liability	1,575	1,575
Other liabilities	1,601	1,528

Total liabilities	**80,042**	**82,504**
Commitments and Contingencies		
Stockholders' equity:		
Preferred stock, $0.001 par value Authorized - 20,000 shares; issued and outstanding - none	-	-
Common stock, $0.0013 par value Authorized - 160,000 shares; issued - 72,965 shares in 2018 and 71,645 shares in 2017	95	93
Additional paid-in capital	619,041	609,829
Treasury stock at cost, 200 shares of common stock	(2,741)	(2,741)
Subscription receivable	(750)	(2,109)
Accumulated other comprehensive loss	(51)	(33)
Accumulated deficit	(554,975)	(541,586)
Total stockholders' equity	**60,619**	**63,453**
Total liabilities and stockholders' equity	**$ 140,661**	**$ 145,957**

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

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PROGENICS PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended March 31,	
	2018	**2017**
Revenue:		
Royalty income	$3,058	$2,119
License revenue	130	215
Other revenue	1	13
Total revenue	3,189	2,347
Operating expenses:		
Research and development	8,110	10,005
General and administrative	6,697	5,695
Change in contingent consideration liability	800	1,900
Total operating expenses	15,607	17,600
Operating loss	(12,418)	(15,253)
Other (expense) income:		
Interest (expense) income, net	(1,006)	(1,107)
Total other (expense) income	(1,006)	(1,107)
Net loss	**$(13,424)**	**$(16,360)**
Net loss per share - basic and diluted	**$(0.19)**	**$(0.23)**
Weighted-average shares - basic and diluted	**72,517**	**70,196**

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

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PROGENICS PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)

(Unaudited)

	Three Months Ended March 31,	
	2018	**2017**
Net loss	$(13,424)	$(16,360)
Other comprehensive loss:		
Foreign currency translation adjustments	(18)	18
Comprehensive loss	**$(13,442)**	**$(16,342)**

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

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PROGENICS PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(In thousands)

(Unaudited)

	Common Stock		Common Stock Subscribed		Additional		Accumulated Other		Treasury Stock		Total
	Number of Shares	Par Value	Number of Shares	Par Value	Paid-in Capital	Accumulated Deficit	Comprehensive Loss	Subscription Receivable	Number of Shares	Cost	Stockholders' Equity
Balance at December 31, 2017	**71,325**	**$ 93**	**320**	**$ -**	**$ 609,829**	**$ (541,586)**	**$ (33)**	**$ (2,109)**	**(200)**	**$ (2,741)**	**$ 63,453**
Net loss	-	-	-	-	-	(13,424)	-	-	-	-	(13,424)
Foreign currency translation adjustments	-	-	-	-	-	-	(18)	-	-	-	(18)
Stock-based compensation expense	-	-	-	-	1,048	-	-	-	-	-	1,048
Cumulative effect of ASU 2014-09 adoption	-	-	-	-	-	35	-	-	-	-	35
Issuance of common stock in connection with at-the-market offering, net of commissions and issuance costs	1,537	2	(320)	-	7,414	-	-	2,109	-	-	9,525
Subscription of common stock in connection with	-	-	103	-	750	-	-	(750)	-	-	-

at-the-market offering, net of commissions											
Balance at March 31, 2018	**72,862**	**$ 95**	**103**	**$ -**	**$ 619,041**	**$ (554,975)**	**$ (51)**	**$ (750)**	**(200)**	**$ (2,741)**	**$ 60,619**

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

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PROGENICS PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Three Months Ended March 31,	
	2018	**2017**
Cash flows from operating activities:		
Net loss	$(13,424)	$(16,360)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	1,048	603
Depreciation and amortization	286	256
Gain on sale of fixed assets	-	(15)
Paid in-kind interest	-	(13)
Non-cash interest expense	63	61
Change in fair value of contingent consideration liability	800	1,900
Changes in assets and liabilities:		
Accounts receivable	491	2,767
Other current assets	(204)	638
Other assets	-	-
Accounts payable	(1,757)	402
Accrued expenses	(1,632)	(3,066)
Other current liabilities	-	-
Other liabilities	73	81
Net cash used in operating activities	(14,256)	(12,746)
Cash flows from investing activities:		
Purchases of property and equipment	(16)	(145)
Proceeds from sale of fixed assets	-	32
Net cash used in investing activities	(16)	(113)
Cash flows from financing activities:		
Net proceeds from issuance of common stock in connection with at-the-market offering	9,524	-
Proceeds from exercise of stock options	-	232
Net cash provided by financing activities	9,524	232
Effect of currency rate changes on cash, cash equivalents and restricted cash	(17)	25
Net decrease in cash, cash equivalents, and restricted cash	(4,765)	(12,602)
Cash, cash equivalents, and restricted cash at beginning of period	92,164	140,910
Cash, cash equivalents, and restricted cash at end of period	**$87,399**	**$128,308**

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets to the total of the same such amounts shown above:

Cash, cash equivalents, and restricted cash information		
Cash and cash equivalents at beginning of period	90,642	138,909
Restricted cash included in long-term assets at the beginning of period	1,522	2,001
Cash, cash equivalents, and restricted cash at beginning of period	**$92,164**	**$140,910**
Cash and cash equivalents at end of period	83,431	126,306
Restricted cash included in current assets at the end of period	2,444	-
Restricted cash included in long-term assets at the beginning of period	1,524	2,002
Cash, cash equivalents, and restricted cash at end of period	**$87,399**	**$128,308**

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1. Summary of Significant Accounting Policies

Business

Progenics Pharmaceuticals, Inc. and its subsidiaries ("the Company," "Progenics," "we" or "us") develop innovative medicines and other technologies to target and treat cancer. Our pipeline includes: 1) therapeutic agents designed to precisely target cancer (AZEDRA®, 1095, and PSMA TTC), 2) PSMA-targeted imaging agents for prostate cancer (1404 and PyL™), and 3) imaging analysis technology.

We licensed our first commercial drug, RELISTOR® (methylnaltrexone bromide) subcutaneous injection for the treatment of opioid induced constipation ("OIC"), to Salix Pharmaceuticals, Inc. (a wholly-owned subsidiary of Valeant Pharmaceuticals International, Inc. ("Valeant")). RELISTOR received an expanded approval from the U.S. Food and Drug Administration ("FDA") for the treatment of OIC in patients taking opioids for chronic non-cancer pain, and in July 2016, RELISTOR Tablets were approved by the FDA for the treatment of OIC in adults with chronic non-cancer pain.

On October 31, 2017, we completed the rolling submission of our NDA for AZEDRA. The FDA has accepted our NDA for review, granted our request for Priority Review, and set an initial action date of April 30, 2018 under the Prescription Drug User Fee Act ("PDUFA"), which was extended in March by three months to July 30, 2018. We are developing AZEDRA as a treatment for patients with malignant, recurrent, and/or unresectable pheochromocytoma and paraganglioma, which are rare neuroendocrine tumors. There are currently no approved therapies in the U.S. for these ultra-rare diseases. While AZEDRA has received Breakthrough Therapy, Orphan Drug, and Fast Track designations from the FDA, there can be no assurance that our NDA will be approved.

We have in the past considered opportunities for strategic collaborations, out-licenses, and other arrangements with biopharmaceutical companies involving proprietary research, development and clinical programs, and we continue to do so. We may in the future also in-license or acquire additional oncology compounds and/or programs.

Our current principal sources of revenue from operations are royalty, development and commercial milestones from Valeant and Bayer AG ("Bayer"). Royalty and further milestone payments from Valeant or Bayer depend on success in development and commercialization, which is dependent on many factors, such as Valeant or Bayer's respective

efforts, decisions by the FDA and other regulatory bodies, competition from drugs for the same or similar indications, and the outcome of clinical and other testing of the licensed products.

We commenced principal operations in 1988, became publicly traded in 1997, and throughout have been engaged primarily in research and development efforts, establishing corporate collaborations, and related business activities. Certain of our intellectual property rights are held by wholly-owned subsidiaries. All of our U.S. operations are presently conducted at our headquarters in New York, and the operations of our wholly-owned foreign subsidiary, EXINI Diagnostics A.B. ("EXINI"), are conducted at our facility in Lund, Sweden. We operate under a single research and development operating segment.

Liquidity

At March 31, 2018, we had $83.4 million of cash and cash equivalents, a decrease of $7.2 million from $90.6 million at December 31, 2017. We expect that this amount will be sufficient to fund operations as currently anticipated beyond one year from the filing date of this Form 10-Q. We have historically funded our operations to a significant extent from capital-raising and we expect to require additional funding in the future, the availability of which is never guaranteed and may be uncertain. We expect that we may continue to incur operating losses.

During the first quarter of 2018, we raised net proceeds of $9.5 million in at-the-market transactions under a controlled equity offering sales agreement ("Sales Agreement") with Cantor Fitzgerald & Co. ("Cantor"). (See **Note 10. Stockholders' Equity** for additional information).

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Basis of Presentation

Our interim condensed consolidated financial statements have been prepared in accordance with applicable presentation requirements, and accordingly, do not include all information and disclosures necessary for a presentation of our financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the U.S. ("GAAP"). In the opinion of management, these financial statements reflect all adjustments, consisting primarily of normal recurring accruals necessary for a fair statement of results for the periods presented. The results of operations for interim periods are not necessarily indicative of the results for the full year.

Our interim condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2017. The year-end consolidated balance sheet data in these financial statements were derived from audited financial statements but do not include all disclosures required by GAAP. Certain prior period amounts in our condensed consolidated financial statements have been reclassified to conform to the current period presentation.

Reclassifications

On January 1, 2018, we adopted Accounting Standards Update (ASU) No. 2016-18 ("ASU 2016-18"), *Statement of Cash Flows (Topic 230) – Restricted Cash* and ASU No. 2016-15 ("ASU 2016-15"), *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. Accordingly, the condensed consolidated statement of cash flow for the three months ended March 31, 2017 has been re-casted to conform with the current period presentation under this new guidance (refer to our condensed consolidated statements of cash flows included in this filing for a reconciliation of cash, cash equivalents and restricted cash).

Principles of Consolidation

The condensed consolidated financial statements include the accounts of Progenics as well as its wholly-owned subsidiaries. All material intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results may differ from those estimates.

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09" or the "Topic 606"). The standard provides a single model for revenue arising from contracts with customers and supersedes current revenue recognition guidance. We adopted ASU 2014-09 on January 1, 2018, using the modified retrospective method, for all contracts not completed as of the date of adoption. The adoption of ASU 2014-09 represents a change in accounting principle that will more closely align revenue recognition with the transfer of promised goods or services to the customer. We implemented internal controls in 2017 to ensure we adequately evaluated our contracts and properly assessed the impact of the new accounting standard related to revenue recognition on our financial statements to facilitate adoption on January 1, 2018. There were no significant changes to our internal control over financial reporting due to the adoption of the new standard.

Based on the evaluation of our current contracts, revenue recognition is consistent under ASC 605 *Revenue Recognition* and ASC 606 *Revenue from Contracts with Customers*, except for revenue from variable consideration bonus payments under our software licensing arrangements. The cumulative effect of applying ASU 2014-09 to all contracts that were not completed as of January 1, 2018 was recorded as a post-adoption adjustment of approximately $35 thousand to the opening balance of accumulated deficit, with a corresponding increase to accounts receivable. Subsequent to the adoption of the new standard, variable consideration related to the bonus payments will be estimated and recognized when it is probable that a significant reversal of revenue will not occur.

Under this new guidance, we recognize revenue when our customers obtain control of the promised goods or services, in an amount that reflects the consideration which we expect to receive in exchange for those goods or services. To determine whether arrangements are within the scope of this new guidance, we perform the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price, including variable consideration, if any; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) we satisfy our performance obligations.

For contracts determined to be within the scope of Topic 606, we assess the goods or services promised within each contract for the purpose of identifying them as performance obligations. We must apply judgement in assessing whether each promised good or service is distinct. If a promised good or service is not distinct, we will combine that good or service with other promised goods or services until it identifies a bundle of goods or services that is distinct.

The transaction price is then determined and allocated to the identified performance obligations in proportion to their standalone selling prices, which requires significant judgment. Variable consideration, which is estimated using the expected value method or the most likely amount method, is included in the transaction price only if, in our judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur.

For arrangements that include development, regulatory or sales milestone payments, we evaluate whether the milestones are probable of being reached and estimate the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant revenue reversal would not occur, the associated milestone value is included in the transaction price. Milestone payments that are not within our control or the licensee's control, such as regulatory approvals, are generally not considered probable of being achieved until those approvals are received.

We then recognize as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

We identified the following revenue streams from contracts with customers as part of our assessment: (1) royalties, (2) licensing and software licensing arrangements, and (3) other revenue. The following table summarizes revenue from contracts with customers for the three months ended March 31, 2018:

Royalty income	$3,058
License revenue	130
Other revenue	1
Total revenue	**$3,189**

Royalty income - represents revenue from the sales-based royalties under our intellectual property licensing arrangements and is recognized upon net sales of the licensed products.

License revenue - represents revenue from upfront payments (fixed consideration) and development and sales milestones, sublicense payments, support and service payments and sales-based bonus payments (variable consideration) under our licensing or software arrangements. The fixed consideration will be recognized as revenue at

the time when the transfer of know-how is completed. The variable consideration will be estimated using the most likely amount method and recognized only when we have “a high degree of confidence” that revenue will not be reversed in a subsequent reporting periods.

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Other revenue – represents revenue from product sales of research reagents, and is recognized upon shipment to the end customer, which is when control of the product is deemed to be transferred.

We had customer contract balances of $3.5 million and $4.0 million as of March 31, 2018 and December 31, 2017, respectively, primarily related to the royalty revenue stream (see **Note 5. Accounts Receivable**).

Restricted Cash

Restricted cash included in current assets on our condensed consolidated balance sheets of $2.4 million at March 31, 2018, represents funds restricted for the payment of interest and principal on the royalty-backed loan agreement (see **Note 9. Non-Recourse Long-Term Debt, Net** for additional information), and the restricted cash included in long-term assets of $1.5 million at March 31, 2018 and December 31, 2017, represents collateral for letter of credit securing a lease obligation. We believe the carrying value of these assets approximates fair value.

Foreign Currency Translation

Our international subsidiaries generally consider their respective local currency to be their functional currency. Assets and liabilities of these international subsidiaries are translated into U.S. dollars at quarter-end exchange rates and revenues and expenses are translated at average exchange rates during the quarter and year-to-date period. Foreign currency translation adjustments for the reported periods are included in accumulated other comprehensive loss (“AOCL”) in our condensed consolidated statements of comprehensive loss, and the cumulative effect is included in the stockholders’ equity section of our condensed consolidated balance sheets. Realized gains and losses denominated in foreign currencies are recorded in operating expenses in our condensed consolidated statements of operations and were not material to our consolidated results of operations for the three months ended March 31, 2018 or 2017.

Property and Equipment

Property and equipment is recorded at historical cost, net of accumulated depreciation and amortization of $1.9 million and $1.7 million as of March 31, 2018 and December 31, 2017, respectively. The following table summarizes our property and equipment (in thousands):

	March 31, 2018	December 31, 2017
Machinery and equipment	$2,516	$ 2,516
Leasehold improvements	1,734	1,734
Computer equipment	711	714
Furniture and fixtures	879	874
Construction in progress	13	-
Property and equipment, gross	5,853	5,838
Less - accumulated depreciation	(1,948)	(1,716)
Property and equipment, net	**$3,905**	**$ 4,122**

Note 2. New Accounting Pronouncements

Recently Adopted

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* (“ASU 2016-01”). The standard requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income, and separate presentation of financial assets and financial liabilities by measurement category and form of financial asset. Additionally, ASU 2016-01 eliminates the requirement to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments on the balance sheet. We adopted this standard on January 1, 2018. The adoption of this standard did not have a material impact on our consolidated financial statements, as we do not have any equity investments.

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In January 2017, the FASB issued ASU No. 2017-01 ("ASU 2017-01"), *Business Combinations (Topic 805): Clarifying the Definition of a Business.* The standard narrows the application of when an integrated set of assets and activities is considered a business and provides a framework to assist entities in evaluating whether both an input and a substantive process are present to be considered a business. We adopted this standard on January 1, 2018. The adoption of this standard did not have a material impact on our consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04 ("ASU 2017-04"), *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The standard simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount. We adopted this standard on January 1, 2018. The adoption of this standard did not have a material impact on our consolidated financial statements.

Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"). The standard requires lessees to recognize leases on their balance sheets, and leaves lessor accounting largely unchanged. Additionally, ASU 2016-02 requires a modified retrospective approach for all leases existing at, or entered into after, the date of initial application, with an option to elect to use certain transition relief. ASU 2016-02 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. We are currently evaluating the impact of this new standard on our consolidated financial statements.

Note 3. Net Loss Per Share

Our basic net loss per share amounts have been computed by dividing net loss by the weighted-average number of common shares outstanding during the period. For the three months ended March 31, 2018 and 2017, we reported net losses and, accordingly, potential common shares were not included since such inclusion would have been anti-dilutive.

The calculations of net loss per share, basic and diluted, are as follows (amounts in thousands, except per share data):

	Weighted-Average Shares

	Net Loss (Numerator)	Outstanding (Denominator)	Per Share Amount
Three months ended March 31, 2018			
Basic and diluted	$ (13,424)	72,517	$ (0.19)
Three months ended March 31, 2017			
Basic and diluted	$ (16,360)	70,196	$ (0.23)

The following table summarizes anti-dilutive common shares or common shares where performance conditions have not been met, that were excluded from the calculation of diluted net loss per share (in thousands):

	Three Months Ended March 31,	
	2018	2017
Stock options	3,483	1,150
Contingent consideration liability	2,359	1,706
Total securities excluded	**5,842**	**2,856**

Note 4. Fair Value Measurements

To estimate the fair values of our financial assets and liabilities, we use valuation approaches within a hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of us. Unobservable inputs are inputs that reflect our assumptions about the inputs that market participants would use in pricing the asset or liability and are developed based on the best information available in the circumstances. The fair value hierarchy is divided into three levels based on the source of inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that we have the ability to access
Level 2 – Valuations for which all significant inputs are observable, either directly or indirectly, other than Level 1 inputs
Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement

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The availability of observable inputs can vary among the various types of financial assets and liabilities. To the extent that the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. In certain cases, the inputs used for measuring fair value may fall into different levels of the fair value hierarchy. In such cases, for financial statement disclosure purposes, the level in the fair value hierarchy within which the fair value measurement is categorized is based on the lowest level of input used that is significant to the overall fair value measurement.

We believe the carrying amounts of our cash equivalents, restricted cash, accounts receivable, other current assets, other assets, accounts payable and accrued expenses approximated their fair values as of March 31, 2018 and December 31, 2017.

We record the contingent consideration liability resulting from our acquisition of Molecular Insight Pharmaceuticals, Inc. ("MIP") at fair value in accordance with Accounting Standards Codification ("ASC") 820 (Topic 820, *Fair Value Measurement*).

The following tables summarize each major class of our financial assets and liabilities measured at fair value on a recurring basis as of the dates indicated, classified by valuation hierarchy (in thousands):

		Fair Value Measurements at March 31, 2018		
	Balance at March 31, 2018	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Money market funds	$80,409	$80,409	$ -	$ -
Total assets	**$80,409**	**$80,409**	**$ -**	**$ -**
Liabilities:				
Contingent consideration liability	$17,600	$-	$ -	$ 17,600
Total liabilities	**$17,600**	**$-**	**$ -**	**$ 17,600**

		Fair Value Measurements at December 31, 2017		
	Balance at December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market funds	$ 87,231	$87,231	$ -	$ -
Total assets	**$ 87,231**	**$87,231**	**$ -**	**$ -**
Liabilities:				
Contingent consideration liability	$ 16,800	$-	$ -	$ 16,800
Total liabilities	**$ 16,800**	**$-**	**$ -**	**$ 16,800**

The contingent consideration liability of $17.6 million as of March 31, 2018 represents the estimated fair value of the future potential milestone payments to former MIP stockholders (shown in the tables below).

Milestone payments due upon first commercial sale (in thousands):

Program	Consideration	Form of Payment at Progenics' Option
AZEDRA	$ 8,000	Cash or Progenics common stock
1404	10,000	Cash or Progenics common stock
1095	5,000	Cash or Progenics common stock
	$ 23,000	

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Net sales milestone payments due upon first achievement of specified net sales target in any single calendar year across all MIP-related programs (in thousands):

Calendar Year Net Sales Level	Consideration	Form of Payment at Progenics' Option
$30 million	$ 5,000	Cash or Progenics common stock
$60 million	5,000	Cash or Progenics common stock
$100 million	10,000	Cash or Progenics common stock
$250 million	20,000	Cash or Progenics common stock
$500 million	30,000	Cash or Progenics common stock
	$ 70,000	

We consider this liability a Level 3 instrument (one with significant unobservable inputs) in the fair value hierarchy. The estimated fair value was determined based on probability adjusted discounted cash flow and Monte Carlo simulation models that included significant estimates and assumptions pertaining to commercialization events and sales targets. The most significant unobservable inputs are the probabilities of achieving regulatory approval of the development projects and subsequent commercial success.

Significant changes in any of the probabilities of success or the probabilities as to the periods in which milestones will be achieved, would result in a significantly higher or lower fair value measurement. We record the contingent consideration liability at fair value with changes in estimated fair values recorded in change in contingent consideration liability in our condensed consolidated statements of operations.

The following table summarizes quantitative information and assumptions pertaining to the fair value measurement of the Level 3 inputs at March 31, 2018 and December 31, 2017 (in thousands). The increase in the contingent consideration liability of $0.8 million during the three months ended March 31, 2018 was primarily attributable to the reduction in the discount period.

	Fair Value at March 31, 2018	Valuation Technique	Unobservable Input	Assumption
Contingent Consideration Liability:				
AZEDRA commercialization	$5,500	Probability adjusted discounted	Probability of success	72%
		cash flow model	Period of expected milestone achievement	2018

			Discount rate	10%
1404 commercialization	4,600	Probability adjusted discounted	Probability of success	59%
		cash flow model	Period of expected milestone achievement	2020
			Discount rate	10%
1095 commercialization	400	Probability adjusted discounted	Probability of success	16%
		cash flow model	Period of expected milestone achievement	2025
			Discount rate	10%
Net sales targets	7,100	Monte-Carlo simulation	Probability of success	16% - 72%
			Discount rate	10%
Total	**$17,600**			

	Fair Value at December 31, 2017	**Valuation Technique**	**Unobservable Input**	**Assumption**
Contingent Consideration Liability:				
AZEDRA commercialization	$ 5,500	Probability adjusted discounted	Probability of success	72%
		cash flow model	Period of expected milestone achievement	2018
			Discount rate	10%
1404 commercialization	4,500	Probability adjusted discounted	Probability of success	59%
		cash flow model	Period of expected milestone achievement	2020
			Discount rate	10%
1095 commercialization	400	Probability adjusted discounted	Probability of success	16%
		cash flow model	Period of expected milestone achievement	2025
			Discount rate	10%
Net sales targets	6,400	Monte-Carlo simulation	Probability of success	16% - 72%
			Discount rate	10%
Total	**$ 16,800**			

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For those financial instruments with significant Level 3 inputs, the following tables summarize the activities for the periods indicated:

	Liability - Contingent Consideration Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Three Months Ended March 31,	
	2018	**2017**
Balance at beginning of period	$16,800	$14,200
Fair value change included in net loss	800	1,900
Balance at end of period	**$17,600**	**$16,100**
Changes in unrealized gains or losses for the period included in earnings (or changes in net assets) for liabilities held at the end of the reporting period	**$800**	**$1,900**

Note 5. Accounts Receivable

Our accounts receivable represent amounts due to us from royalties, collaborators, and sales of research reagents, and consisted of the following at March 31, 2018 and December 31, 2017 (in thousands):

	March 31, 2018	**December 31, 2017**
Royalties	$3,058	$ 3,683
Collaborators	168	13
Other	286	276
Accounts receivable, net	**$3,512**	**$ 3,972**

Note 6. Goodwill, In-Process Research and Development, and Other Intangible Assets

The fair values of in-process research and development ("IPR&D") and other identified intangible assets acquired in business combinations are capitalized. We utilize the "income method," which applies a probability weighting that considers the risk of development and commercialization to the estimated future net cash flows that are derived from projected sales revenues and estimated costs or "replacement costs", whichever is greater. These projections are based on factors such as relevant market size, patent protection, historical pricing of similar products and expected industry trends. The estimated future net cash flows are then discounted to the present value using an appropriate discount rate. This analysis is performed for each IPR&D project and other identified intangible assets, independently. IPR&D assets are treated as indefinite-lived intangible assets until completion or abandonment of the projects, at which time the assets are amortized over the remaining useful life or written off, as appropriate. Other identified intangible assets, which include the technology asset acquired as part of the EXINI business combination, are amortized over the relevant estimated useful life. The IPR&D assets are tested for impairment at least annually or when a triggering event occurs that could indicate a potential impairment and any impairment loss is recognized in our condensed consolidated statements of operations.

Goodwill represents excess consideration in a business combination over the fair value of identifiable net assets acquired. Goodwill is not amortized, but is subject to impairment testing at least annually or when a triggering event occurs that could indicate a potential impairment. We determine whether goodwill may be impaired by comparing the fair value of the reporting unit (we have determined that we have only one reporting unit for this purpose), calculated as the product of shares outstanding and the share price as of the end of a period, to its carrying value (for this purpose, our total stockholders' equity). No goodwill impairment has been recognized as of March 31, 2018 or 2017.

The following tables summarize the activity related to our goodwill and intangible assets (in thousands):

	Goodwill	**IPR&D**	**Other Intangible Assets**
Balance at January 1, 2018	$ 13,074	$ 28,700	$ 1,669
Amortization expense	-	-	(53)
Balance at March 31, 2018	**$ 13,074**	**$ 28,700**	**$ 1,616**

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	Goodwill	IPR&D	Other Intangible Assets
Balance at January 1, 2017	$ 13,074	$28,700	$ 1,881
Amortization expense	-	-	(53)
Balance at March 31, 2017	**$ 13,074**	**$28,700**	**$ 1,828**

Note 7. Accrued Expenses

The carrying value of our accrued expenses approximates fair value as it represents amounts that will be satisfied within one year. Accrued expenses consisted of the following at March 31, 2018 and December 31, 2017 (in thousands):

	March 31, 2018	December 31, 2017
Accrued clinical trial costs	$2,765	$ 2,570
Accrued consulting and service fee expenses	1,274	1,860
Accrued interest	1,205	-
Accrued payroll and related costs	1,069	2,400
Accrued legal and professional fees	713	1,022
Accrued contract manufacturing costs	500	666
Other	394	1,037
Accrued expenses	**$7,920**	**$ 9,555**

Note 8. Commitments and Contingencies

We are or may be involved in disputes, governmental and/or regulatory inspections, inquiries, investigations, and proceedings that could result in litigation, and other litigation matters that arise from time to time. The process of resolving matters through litigation or other means is inherently uncertain and it is possible that an unfavorable resolution of these matters will adversely affect us, our results of operations, financial condition, and cash flows. While it is not possible to accurately predict or determine the eventual outcomes of these items, an adverse determination in one or more of these items currently pending could have a material adverse effect on our consolidated results of operations, financial position, or cash flows.

Abbreviated New Drug Application Litigations

On October 7, 2015 Progenics, Valeant and Wyeth LLC (Valeant’s predecessor as licensee of RELISTOR) received notification of a Paragraph IV certification for certain patents for RELISTOR (methylnaltrexone bromide) subcutaneous injection, which are listed in the FDA's Approved Drug Products with Therapeutic Equivalence Evaluations, or the Orange Book. The certification resulted from the filing by Mylan Pharmaceuticals, Inc. of an Abbreviated New Drug Application (“ANDA”) with the FDA, challenging such patents for RELISTOR subcutaneous injection and seeking to obtain approval to market a generic version of RELISTOR subcutaneous injection before some or all of these patents expire.

On October 28, 2015, Progenics, Valeant and Wyeth LLC received a second notification of a Paragraph IV certification with respect to the same patents for RELISTOR subcutaneous injection from Actavis LLC as a result of Actavis LLC’s filing of an ANDA with the FDA, also challenging these patents and seeking to obtain approval to market a generic version of RELISTOR subcutaneous injection before some or all of these patents expire.

On October 25, 2016, Progenics, Valeant, and Wyeth LLC received a notification of a Paragraph IV certification with respect to certain patents for RELISTOR Tablets. The certification accompanied the filing by Actavis LLC of an ANDA challenging such patents for RELISTOR Tablets and seeking to obtain approval to market a generic version of RELISTOR tablets before some or all of these patents expire.

On May 3, 2017, ANDA filer, Mylan Pharmaceuticals received a tentative approval letter from the FDA for Methylnaltrexone Bromide Subcutaneous Injection, 12 mg/0.6 mL single-dose vial. In accordance with the Drug Price Competition and Patent Term Restoration Act (commonly referred to as the Hatch-Waxman Act), Progenics, Valeant, and Wyeth (collectively “Plaintiffs”) timely commenced litigation against each of these ANDA filers (collectively “Defendants”) in order to obtain an automatic stay of FDA approval of the ANDA until the earlier of (i) 30 months from receipt of the notice or (ii) a District Court decision finding that the identified patents are invalid, unenforceable or not infringed. The 30-month stays will begin expiring in the second quarter of 2018.

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On February 9, 2018, Plaintiffs, including Progenics, Salix Pharmaceuticals, Inc, Valeant and Wyeth, LLC, filed a Motion And Brief For Partial Summary Judgment on the validity of claim 8 of U.S. Patent 8,552,025 (the "025 Patent") with the United States District Court of New Jersey. On February 16, 2018, the Court denied Defendant's motion to strike the Summary Judgment motion, ordering Defendant to respond by February 20, 2018, with an extension available. On May 1, 2018, the US District Court of New Jersey granted the motion for partial summary judgement of validity of the 025 Patent, a formulation patent for RELISTOR (methylnaltrexone bromide) Injection. Defendants in the case, including Mylan Inc, Mylan Laboratories LTD, Mylan Pharmaceuticals Inc., and Actavis LLC, had previously stipulated to infringement of claim 8 and have no remaining invalidity defenses. The ruling prevents generic competition in the United States until 2024. In the upcoming trial on June 4, 2018, the court is expected to decide the infringement and validity of other patents that could prevent generic RELISTOR vials until 2029 and generic RELISTOR syringes until 2030.

In July 2017, we received notification of a Paragraph IV certification from Par Pharmaceuticals with respect to Orange Book listed patents for RELISTOR subcutaneous injection. Valeant timely filed suit against Par.

In addition to the above described ANDA notifications, in October 2015 Progenics received notices of opposition to three European patents relating to methylnaltrexone. The oppositions were filed separately by each of Actavis Group PTC ehf. and Fresenius Kabi Deutschland GmbH. The matters are on appeal with the European Patent Office.

In each of the above-described proceedings, Progenics and Valeant continue to cooperate closely to vigorously defend and enforce RELISTOR intellectual property rights. Pursuant to the RELISTOR license agreement between Progenics and Valeant, Valeant has the first right to enforce the intellectual property rights at issue and is responsible for the costs of such enforcement.

9. Non-Recourse Long-Term Debt, Net

On November 4, 2016, through a new wholly-owned subsidiary MNTX Royalties Sub LLC ("MNTX Royalties"), we entered into a $50.0 million loan agreement (the "Royalty-Backed Loan") with a fund managed by HealthCare Royalty Partners III, L.P. ("HCRP"). Under the terms of the Royalty-Backed Loan, the lenders have no recourse to us or to any of our assets other than the right to receive royalty payments from the commercial sales of RELISTOR products owed under our agreement with Valeant. The RELISTOR royalty payments will be used to repay the principal and interest on the loan. The Royalty-Backed Loan bears interest at a per annum rate of 9.5%.

Under the terms of the loan agreement, payments of interest and principal, if any, under the loan will be made on the last day of each calendar quarter out of RELISTOR royalty payments received since the immediately-preceding

payment date. On each payment date prior to March 31, 2018, RELISTOR royalty payments received since the immediately preceding payment date were applied solely to the payment of interest on the loan, with any royalties in excess of the interest amount retained by us. Beginning on March 31, 2018, 50% of RELISTOR royalty payments received since the immediately-preceding payment date in excess of accrued interest on the loan will be used to repay the principal of the loan, with the balance retained by us. HCRP did not transfer first quarter 2018 interest and principal from the blocked account until April 2, 2018, as such, $2.4 million (representing both interest and principal) is restricted as of March 31, 2018 and included as restricted cash in current assets, and $1.2 million of interest is accrued and included in accrued expenses on our condensed consolidated balance sheet as of March 31, 2018. Starting on September 30, 2021, all of the RELISTOR royalties received since the immediately-preceding payment date will be used to repay the interest and outstanding principal balance until the balance is fully repaid. The loan has a maturity date of June 30, 2025. Upon the occurrence of certain triggers in the loan agreement, or if HCRP so elects on or after January 1, 2018, all of the RELISTOR royalty payments received after the immediately-preceding payment date shall be applied to the payment of interest and repayment of principal until the principal of the loan is fully repaid. In the event of such an election by HCRP, we have the right to repay the loan without any prepayment penalty.

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In connection with the Royalty-Backed Loan, the debt issuance costs have been recorded as a debt discount in our consolidated balance sheets and are being amortized and recorded as interest expense throughout the life of the loan using the effective interest method.

The following tables summarize the components of the Royalty-Backed Loan in our condensed consolidated financial statements for the periods presented (in thousands):

Condensed Consolidated Balance Sheets	**March 31, 2018**	**December 31, 2017**
Outstanding principal balance, current portion	$4,981	$ 2,686
Unamortized debt discount, current portion	(246)	(241)
Current portion of debt, net	**$4,735**	**$ 2,445**
Outstanding principal balance, long-term portion	$45,771	$ 48,066
Unamortized debt discount, long-term portion	(756)	(824)
Long-term debt, net	**$45,015**	**$ 47,242**

	Three Months Ended March 31,	
Condensed Consolidated Statements of Operations	**2018**	**2017**
Interest expense	$1,205	$1,192
Non-cash interest expense	63	61
Total interest expense included in interest (expense) income, net	**$1,268**	**$1,253**

As of March 31, 2018, we were in compliance with all material covenants under the Royalty-Backed Loan and there was no material adverse change in our business, operations, or financial conditions, as defined in the loan agreement.

Note 10. Stockholders' Equity

Common Stock and Preferred Stock

We are authorized to issue 160.0 million shares of our common stock, par value $0.0013, and 20.0 million shares of preferred stock, par value $0.001. The Board of Directors (the “Board”) has the authority to issue common and preferred shares, in series, with rights and privileges as determined by the Board.

Shelf Registration

During the first quarter of 2017, we established a $250.0 million replacement shelf registration statement. All sales of shares have been and will continue to be made pursuant to an effective shelf registration statement on Form S-3 filed with the U.S. Securities and Exchange Commission. In addition, in January 2017 we entered into a Sales Agreement with Cantor, as sales agent, pursuant to which we may offer and sell through Cantor, from time to time, shares of our common stock up to an aggregate offering price of $75.0 million.

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During the first quarter of 2018, we sold a total of 1,537,528 shares of our common stock in at-the-market transactions under the Sales Agreement for net proceeds, after deducting commissions and other transaction costs, of approximately $9.5 million at an average selling price of $6.33 per share. At March 31, 2018, we had 103,100 shares of our common stock subscribed in at-the-market transactions under the Sales Agreement for net proceeds, after deducting commissions and other transaction costs, of approximately $0.8 million at an average selling price of $7.50 per share. Accordingly, we have recorded a subscription receivable of $0.8 million as a reduction of stockholders' equity in our consolidated balance sheet at March 31, 2018.

Accumulated Other Comprehensive Loss

The following table summarizes the components of AOCL at March 31, 2018 (in thousands):

	Foreign Currency Translation	**AOCL**
Balance at January 1, 2018	$ (33)	$ (33)
Foreign currency translation adjustment	(18)	(18)
Balance at March 31, 2018	**$ (51)**	**$ (51)**

We did not have any reclassifications out of AOCL to losses during the three months ended March 31, 2018 or 2017.

Note 11. Stock-Based Compensation

Equity Incentive Plans

We adopted the following stockholder-approved equity incentive plans:

The 1996 Amended Stock Incentive Plan (the "1996 Plan") authorized the issuance of up to 5,000,000 shares of our common stock covering several different types of awards, including stock options, restricted shares, stock appreciation rights, performance shares, and phantom stock. The 1996 Plan was terminated in 2006. Options granted before termination of the 1996 Plan will continue to remain outstanding until exercised, cancelled, or expired.

The 2005 Stock Incentive Plan (the "2005 Plan"), pursuant to which we are authorized to issue up to 11,450,000 shares of common stock covering several different types of awards, including stock options, restricted shares, stock appreciation rights, performance shares, and phantom stock. The 2005 Plan will terminate on March 25, 2024.

The stock option plans provide that options may be granted at an exercise price of 100% of fair market value of our common stock on the date of grant, may be exercised in full or in installments, at the discretion of the Board or its Compensation Committee, and must be exercised within ten years from date of grant. Stock options generally vest pro rata over three to five years. We recognize stock-based compensation expense on a straight-line basis over the requisite service (vesting) period based on fair values. We use historical data to estimate expected employee behaviors related to option exercises and forfeitures and included these expected forfeitures as a part of the estimate of stock-based compensation expense as of the grant date. We adjust the total amount of stock-based compensation expense recognized for each award, in the period in which each award vests, to reflect the actual forfeitures related to that award. Changes in our estimated forfeiture rate will result in changes in the rate at which compensation cost for an award is recognized over its vesting period.

Stock Options

The following table summarizes stock options activity for the three months ended March 31, 2018 (in thousands, except per share data or as otherwise noted):

	Number of Shares	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life**
Outstanding at January 1, 2018	5,535	$ 7.25	6.04
Granted	1,313	$ 6.61	
Exercised	-	N/A	
Cancelled	(24)	$ 8.78	
Expired	(3)	$ 18.03	
Outstanding at March 31, 2018	**6,821**	**$ 7.12**	**6.57**
Exercisable at March 31, 2018	**4,349**	**$ 6.88**	**5.04**
Vested and expected to vest at March 31, 2018	**6,181**	**$ 7.08**	**6.28**

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The weighted-average fair value of options granted during the three months ended March 31, 2018 and 2017 was $4.34 and $7.60 per share, respectively.

The total intrinsic value (the excess of the market price over the exercise price) was approximately $8.3 million for stock options outstanding, $6.2 million for stock options exercisable, and $7.8 million for stock options vested and expected to vest as of March 31, 2018. The total intrinsic value for stock options exercised during the three months ended March 31, 2017 was approximately $167 thousand. No stock options were exercised during the three months ended March 31, 2018.

Stock-Based Compensation Expense

We account for stock-based awards issued to employees in accordance with the provisions of ASC 718 (Topic 718, *Compensation – Stock Compensation*). We recognize stock-based compensation expense on a straight-line basis over the service period of the award, which is generally three to five years. Stock-based awards issued to consultants are accounted for in accordance with the provisions of ASC 718 and ASC 505-50 (Subtopic 50 “Equity-Based Payments to Non-Employees” of Topic 505, *Equity*). Options granted to consultants are periodically revalued as the options vest, and are recognized as an expense over the related period of service or the vesting period, whichever is longer. Under the provisions of ASC 718, members of the Board are considered employees for calculation of stock-based compensation expense.

We estimated the fair value of the stock options granted on the date of grant using a Black-Scholes valuation model that used the weighted-average assumptions noted in the following table. The risk-free interest rate assumption we use is based upon United States Treasury interest rates appropriate for the expected life of the awards. The expected life (estimated period of time that we expect employees, directors, and consultants to hold their stock options) was estimated based on historical rates for three group classifications, (i) employees, (ii) outside directors and officers, and (iii) consultants. Expected volatility was based on historical volatility of our stock price for a period equal to the stock option’s expected life and calculated on a daily basis. The expected dividend rate is zero since we do not currently pay cash dividends on our common stock and do not anticipate doing so in the foreseeable future.

	Three Months Ended March 31,	
	2018	**2017**
Risk-free interest rate	2.68%	2.22%
Expected life (in years)	6.66	6.73
Expected volatility	69%	72%
Expected dividend yield	**--**	**--**

Stock-based compensation expense for the three months ended March 31, 2018 and 2017 was recorded in our condensed consolidated statement of operations as follows (in thousands):

	Three Months Ended March 31,	
	2018	**2017**
Research and development expenses	$525	$235
General and administrative expenses	523	368
Total stock-based compensation expense	**$1,048**	**$603**

At March 31, 2018, unrecognized stock-based compensation expense related to stock options was approximately $8.8 million and is expected to be recognized over a weighted-average period of approximately 2.6 years.

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to assist the reader in understanding the business of Progenics Pharmaceuticals, Inc. and its subsidiaries (the "Company", "Progenics", "we", or "us"). MD&A is provided as a supplement to, and should be read in conjunction with, our Annual Report on Form 10-K for the year ended December 31, 2017. Our results of operations discussed in MD&A are presented in conformity with accounting principles generally accepted in the U.S. ("GAAP"). We operate under a single research and development business segment. Therefore, our results of operations are discussed on a consolidated basis.

Note Regarding Forward-Looking Statements

This document and other public statements we make may contain statements that do not relate strictly to historical fact, any of which may be forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Statements contained in this communication that refer to our estimated or anticipated future results or other non-historical facts are forward-looking statements that reflect our current perception of existing trends and information as of the date of this communication. Forward looking statements generally will be accompanied by words such as "anticipate", "believe", "plan", "could", "should", "estimate", "expect", "forecast", "outlook", "guidance", "intend", "may", "might", "will", "possible", "potential", "predict", "project", or other similar words, phrases or expressions. Such statements are predictions only, and are subject to risks and uncertainties that could cause actual events or results to differ materially. Forward-looking statements involve known and unknown risks and uncertainties which may cause our actual results, performance or achievements to be materially different from those expressed or implied by forward-looking statements. While it is impossible to identify or predict all such matters, these differences between forward-looking statements and our actual results, performance or achievement may result from, among other things, the inherent uncertainty of the timing and success of, and expense associated with, research, development, regulatory approval and commercialization of our products and product candidates, including the risks that clinical trials will not commence or proceed as planned; products which appear to be promising in early trials will not demonstrate efficacy or safety in larger-scale trials; clinical trial data on our products and product candidates will be unfavorable; our products will not receive marketing approval from regulators or, if approved, do not gain sufficient market acceptance to justify development and commercialization costs; the sales of RELISTOR® and other products by our partners and the revenue and income generated for us thereby may not meet expectations; competing products currently on the market or in development might reduce the commercial potential of our products; we, our collaborators or others might identify side effects after the product is on the market; or efficacy or safety concerns regarding marketed products, whether or not originating from subsequent testing or other activities by us, governmental regulators, other entities or organizations or otherwise, and whether or not scientifically justified, may lead to product recalls, withdrawals of marketing approval, reformulation of the product, additional pre-clinical testing or clinical trials, changes in labeling of the product, the need for additional marketing applications, declining sales, or other adverse events.

We are also subject to risks and uncertainties associated with the actions of our corporate, academic and other collaborators and government regulatory agencies, including risks from market forces and trends; potential product liability; intellectual property, litigation and other dispute resolution, environmental and other risks; the risk that we may not be able to obtain sufficient capital, recruit and retain employees, enter into favorable collaborations or transactions, or other relationships or that existing or future relationships or transactions may not proceed as planned; the risk that current and pending patent protection for our products may be invalid, unenforceable or challenged, or fail to provide adequate market exclusivity, or that our rights to in-licensed intellectual property may be terminated for our failure to satisfy performance milestones; the risk of difficulties in, and regulatory compliance relating to, manufacturing products; and the uncertainty of our future profitability.

Risks and uncertainties to which we are subject also include general economic conditions, including interest and currency exchange-rate fluctuations and the availability of capital; changes in generally accepted accounting principles; the impact of legislation and regulatory compliance; the highly regulated nature of our business, including government cost-containment initiatives and restrictions on third-party payments for our products; trade buying patterns; the competitive climate of our industry; and other factors set forth in this document and other reports filed with the U.S. Securities and Exchange Commission ("SEC"). In particular, we cannot assure you that RELISTOR will be commercially successful or be approved in the future in other formulations, indications or jurisdictions, that any of our other programs, including AZEDRA®, will result in a commercial product.

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We do not have a policy of updating or revising forward-looking statements and, except as expressly required by law, we disclaim any intent or obligation to update or revise any statements as a result of new information or future events or developments. It should not be assumed that our silence over time means that actual events are bearing out as expressed or implied in forward-looking statements.

Overview

Business

We develop innovative medicines and other technologies to target and treat cancer. Our pipeline includes: (1) therapeutic agents designed to precisely target cancer (AZEDRA, 1095, and PSMA TTC); (2) prostate-specific membrane antigen ("PSMA") targeted imaging agents for prostate cancer (1404 and PyL™); and (3) imaging analysis technology. Our first commercial product, RELISTOR (methylnaltrexone bromide) for opioid-induced constipation, is partnered with Salix Pharmaceuticals, Inc. (a wholly-owned subsidiary of Valeant Pharmaceuticals International, Inc. ("Valeant")).

On October 31, 2017, we completed the rolling submission of our NDA for AZEDRA. The FDA has accepted our NDA for review, granted our request for Priority Review, and set an initial action date of April 30, 2018 under the PDUFA, which was extended in March by three months to July 30, 2018. We are developing AZEDRA as a treatment for patients with malignant, recurrent, and/or unresectable pheochromocytoma and paraganglioma, which are rare neuroendocrine tumors. There are currently no approved therapies in the U.S. for the treatment of these ultra-rare diseases. While AZEDRA has received Breakthrough Therapy, Orphan Drug, and Fast Track designations from the FDA, there can be no assurance that our NDA will be approved.

We have licensed RELISTOR to Valeant, and have partnered other internally-developed or acquired compounds and technologies with third parties. We continue to consider opportunities for strategic collaborations, out-licenses and other arrangements with biopharmaceutical companies involving proprietary research, development and clinical programs, and may in the future also in-license or acquire additional oncology compounds and/or programs.

Pipeline

Our goal is to become a preeminent, patient-centric oncology company and we intend to make a difference in how patients with prostate cancer, pheochromocytoma, and paraganglioma are diagnosed and treated. Our pipeline includes the following products and product candidates:

Product / Candidate	Description	Status
Ultra-Orphan		
AZEDRA	Treatment of malignant and/or recurrent and/or unresectable pheochromocytoma and paraganglioma	New Drug Application ("NDA") submitted and accepted by the U.S. Food and Drug Administration ("FDA"); target action date of July 30, 2018 under the Prescription Drug User Fee Act ("PDUFA") Expanded Access Program in progress
Prostate Cancer		
1404	Technetium-99m PSMA-targeted SPECT/CT imaging agent for prostate cancer	Completed enrollment in Phase 3 trial
PyL	Flourine-18 PSMA-targeted PET/CT imaging agent for prostate cancer	Phase 2/3 trial in progress
1095	Iodine-131 PSMA-targeted small molecule therapeutic for treatment of metastatic prostate cancer	Phase 1 trial in progress
PSMA TTC (Targeted Thorium Conjugate) [antibody licensed to Bayer]	Thorium-227 PSMA-targeted antibody conjugate therapeutic for treatment of metastatic prostate cancer	Preclinical development in progress
PSMA CADx	Automated reading of PSMA PET/SPECT/CT images based on artificial intelligence (AI) and deep learning	Development in progress based on 1404 Phase 2 study
automated bone scan index ("aBSI") [licensed to Fuji]	Software that quantifies the hotspots on bone scans and automatically calculates the bone scan index value	Sold in Japan
Opioid-Induced Constipation ("OIC") Treatment		
RELISTOR Subcutaneous Injection [licensed to Valeant]	Treatment of OIC in adults with chronic non-cancer pain and treatment of OIC in advanced-illness adult patients receiving palliative care when laxative therapy has not been sufficient	Sold in the U.S., European Union, and Canada
RELISTOR Tablets [licensed to Valeant]	Treatment of OIC in adults with chronic non-cancer pain	Sold in the U.S. (commercialization commenced in third quarter of 2016)

We continue to consider opportunities for strategic collaborations, out-licenses, and other arrangements with biopharmaceutical companies involving proprietary research, development, clinical, and commercialization programs, and may in the future also in-license or acquire additional oncology compounds and/or programs.

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Valeant Agreement

Under our agreement with Valeant, we received a development milestone of $40.0 million upon U.S. marketing approval for subcutaneous RELISTOR in non-cancer pain patients in 2014, and a development milestone of $50.0 million for the U.S. marketing approval of an oral formulation of RELISTOR in 2016. We are also eligible to receive up to $200.0 million of commercialization milestone payments upon first achievement of specified U.S. sales targets in any single calendar year. The following table summarizes the commercialization milestones (in thousands):

Calendar Year Net Sales Level	**Payment**
In excess of $100 million	$10,000
In excess of $150 million	15,000
In excess of $200 million	20,000
In excess of $300 million	30,000
In excess of $750 million	50,000
In excess of $1 billion	75,000
	$200,000

Each commercialization milestone payment is payable one time only, regardless of the number of times the condition is satisfied, and all six payments could be made within the same calendar year. We are also eligible to receive royalties from Valeant and its affiliates based on the following royalty scale: 15% on worldwide net sales up to $100 million, 17% on the next $400 million in worldwide net sales, and 19% on worldwide net sales over $500 million each calendar year, and 60% of any upfront, milestone, reimbursement or other revenue (net of costs of goods sold, as defined, and territory-specific research and development expense reimbursement) Valeant receives from sublicensees outside the U.S.

Valeant has also entered into license and distribution agreements to expand its sales channels outside of the U.S. for RELISTOR.

Bayer Agreement

Under our April 2016 agreement with a subsidiary of Bayer AG (“Bayer”) granting Bayer exclusive worldwide rights to develop and commercialize products using our PSMA antibody technology, we received an upfront payment of $4.0 million and milestone payments totaling $3.0 million and could receive up to an additional $46.0 million in potential clinical and regulatory development milestones. We are also entitled to single digit royalties on net sales, and potential net sales milestone payments up to an aggregate total of $130.0 million as well as royalty payments.

Results of Operations

The following table is an overview of our results of operations (in thousands, except percentages):

	Three Months Ended March 31,			
	2018	2017	Change	
Total revenue	$3,189	$2,347	36	%
Operating expenses	$15,607	$17,600	11	%
Operating loss	$(12,418)	$(15,253)	19	%
Net loss	$(13,424)	$(16,360)	18	%

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Revenue

Our sources of revenue include royalties and license fees from Valeant and other collaborators and, to a small extent, sale of research reagents. The following table is a summary of our worldwide revenue (in thousands, except percentages):

	Three Months Ended March 31,			
Source	**2018**	**2017**	**Change**	
Royalty income	$3,058	$2,119	44	%
License revenue	130	215	(40	%)
Other revenue	1	13	(92	%)
Total revenue	**$3,189**	**$2,347**	**36**	**%**

Royalty income. We recognized royalty income based on the below net sales of RELISTOR as reported to us by Valeant (in thousands).

	Three Months Ended March 31,			
	2018	**2017**	**Change**	
U.S.	$20,300	$13,500	50	%
Outside U.S.	100	600	(83	%)
Worldwide net sales of RELISTOR	**$20,400**	**$14,100**	**45**	**%**

Royalty income increased by $0.9 million, or 44%, during the three months ended March 31, 2018, compared to the same period in 2017, due to higher sales of RELISTOR Tablets.

Operating Expenses

The following table is a summary of our operating expenses (in thousands, except percentages):

Operating Expenses	Three Months Ended March 31, 2018	2017	Change	
Research and development	$8,110	$10,005	19	%
General and administrative	6,697	5,695	(18	%)
Change in contingent consideration liability	800	1,900	58	%
Total operating expenses	**$15,607**	**$17,600**	**11**	**%**

Research and Development ("R&D")

R&D expenses decreased by $1.9 million, or 19%, during the three months ended March 31, 2018, compared to the same period in 2017. The decrease was primarily attributable to lower clinical trial expenses for AZEDRA.

General and Administrative ("G&A")

G&A expenses increased by $1.0 million, or 18%, during the three months ended March 31, 2018, compared to the same period in 2017. The increase was primarily attributable to higher costs associated with building commercial capabilities in preparation for a potential AZEDRA approval and launch.

Change in Contingent Consideration Liability

The contingent consideration liability increased by $0.8 million during the three months ended March 31, 2018, primarily attributable to a decrease in the discount period, compared to an increase of $1.9 million in the same period in 2017, resulting primarily from an increase in the probability of success of AZEDRA used to calculate the potential milestone payments.

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Other (Expense) Income

The following table is a summary of our other (expense) income (in thousands, except percentages):

	Three Months Ended March 31,			
	2018	**2017**	**Change**	
Interest (expense) income, net	$(943)	$(1,046)	10	%
Other expense, net	(63)	(61)	(3	%)
Other (expense) income, net	**$(1,006)**	**$(1,107)**	**9**	**%**

Total other (expense) income, net decreased by $0.1 million, or 9%, during the three months ended March 31, 2018, compared to the same period in 2017.

Liquidity and Capital Resources

The following table is a summary of selected financial data (in thousands):

	March 31, 2018	**December 31, 2017**
Cash and cash equivalents	$83,431	$90,642
Accounts receivable, net	$3,512	$3,972
Total assets	$140,661	$145,957
Working capital	$77,591	$81,511

Our current principal sources of revenue from operations are royalties, development and commercial milestones, and sublicense revenue-sharing payments. Our principal sources of liquidity are our existing cash and cash equivalents. As of March 31, 2018, we had cash and cash equivalents of approximately $83.4 million, a decrease of $7.2 million from $90.6 million at December 31, 2017. We will continue to have significant cash requirements to support product development activities and the potential commercial launch of AZEDRA if approved by the FDA. The amount and timing of our cash requirements will depend on the progress and success of our clinical development programs, regulatory and market acceptance, and the resources we devote to research and commercialization activities. The amount of cash on-hand will depend on the progress of various clinical programs, the timing of our commercialization effort scale-up, and the achievement of various milestones and royalties under our existing license agreements.

We believe that our current cash and cash equivalents, which includes $14.5 million of net proceeds received through March 31, 2018 from the sale of our stock in at-the-market transactions under a controlled equity offering sales agreement (see Shelf Registration section below for additional details), together with the net proceeds of approximately $7.5 million received from additional at-the-market transactions in April 2018, will be sufficient to fund our operations for at least the next twelve months. We expect to fund our operations going forward with existing cash resources, anticipated revenues from our existing license agreements, and cash that we may raise through future capital raising and other financing transactions.

If we do not realize sufficient royalty or milestone revenue from our license agreements, or are unable to enter into favorable collaboration, license, asset sale, additional capital raising, or other financing transactions, we will have to reduce, delay, or eliminate spending on certain programs, and/or take other economic measures.

Shelf Registration

During the first quarter of 2017, we filed a $250.0 million replacement shelf registration statement, which was declared effective as of January 19, 2017. In addition, we also entered into a controlled equity offering sales agreement ("Sales Agreement") with Cantor Fitzgerald & Co. ("Cantor"), as sales agent, pursuant to which we may offer and sell through Cantor, from time to time, shares of our common stock up to an aggregate offering price of $75.0 million. This Sales Agreement may be terminated by Cantor or us at any time upon ten (10) days' notice, or by Cantor at any time in certain circumstances, including the occurrence of a material adverse change in our business or financial condition.

During the first quarter of 2018, we sold a total of 1,537,528 shares of our common stock in at-the-market transactions under the Sales Agreement for net proceeds, after deducting commissions, of approximately $9.5 million at an average selling price of $6.33 per share. At March 31, 2018, we had 103,100 shares of our common stock subscribed in at-the-market transactions under the Sales Agreement for net proceeds, after deducting commissions, of approximately $0.8 million at an average selling price of $7.50 per share. Accordingly, we have recorded a subscription receivable of $0.8 million as a reduction of stockholders' equity in our consolidated balance sheet at March 31, 2018. Subsequent to the close of the quarter, in April 2018, we sold an additional 953,601 shares of our common stock in at-the-market transactions under the Sales Agreement for net proceeds, after deducting commissions, of approximately $6.8 million at an average selling price of $7.32 per share. Together with the subscription receivable, we received net proceeds of approximately $7.5 million in April 2018.

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Cash Flows

The following table is a summary of our cash flow activities (in thousands):

	Three Months Ended March 31,	
	2018	**2017**
Net cash used in operating activities	$(14,256)	$(12,746)
Net cash used in investing activities	$(16)	$(113)
Net cash provided by financing activities	$9,524	$232

Operating Activities

Net cash used in operating activities during the three months ended March 31, 2018 was primarily attributable to operating expenses, net of non-cash items.

Investing Activities

Net cash used in investing activities during the three months ended March 31, 2018 was primarily related to capital expenditures.

Financing Activities

Net cash provided by financing activities during the three months ended March 31, 2018 was primarily attributable to net proceeds from the sale of our common stock in at-the-market transactions.

Off-Balance Sheet Arrangements and Guarantees

We have no obligations under off-balance sheet arrangements and do not guarantee the obligations of any other unconsolidated entity.

Critical Accounting Policies

We prepare our financial statements in conformity with accounting principles generally accepted in the U.S. Our significant accounting policies are disclosed in *Note 2. Summary of Significant Accounting Policies* to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2017. The selection and application of these accounting principles and methods requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as certain financial statement disclosures. We evaluate these estimates on an ongoing basis. We base these estimates on historical experience and on various other assumptions that we believe reasonable under the circumstances. The results of these evaluations form the basis for making judgments about the carrying values of assets and liabilities that are not otherwise readily apparent. While we believe that the estimates and assumptions we use in preparing the financial statements are appropriate, they are subject to a number of factors and uncertainties regarding their ultimate outcome and, therefore, actual results could differ from these estimates.

There have been no changes to our critical accounting policies and estimates as of and for the three months ended March 31, 2018 as noted in Management’s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2017.

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Recent Accounting Developments

Refer to our discussion of recently adopted accounting pronouncements and other recent accounting pronouncements in *Note 2. New Accounting Pronouncements* to the accompanying unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our primary investment objective is to preserve principal. Our money market funds have variable interest rates and totaled $80.4 million at March 31, 2018. As a result, we do not believe that these investment balances have a material exposure to interest-rate risk.

The majority of our business is conducted in U.S. dollars. However, we do conduct certain transactions in other currencies, including Euros, British Pounds, Swiss Francs, and Swedish Krona. Historically, fluctuations in foreign currency exchange rates have not materially affected our condensed consolidated results of operations, and during the three months ended March 31, 2018 and 2017, our consolidated results of operations were not materially affected by fluctuations in foreign currency exchange rates.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports, is recorded, processed, summarized and reported within the timelines specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives, and in reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. We have a Disclosure Committee consisting of certain members of our senior management which monitors and implements our policy of disclosing material information concerning the Company in accordance with applicable law.

As required by SEC Rule 13a-15(e), we carried out an evaluation, under the supervision and with the participation of senior management, including our CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based upon the foregoing, our CEO and

CFO concluded that our current disclosure controls and procedures, as designed and implemented, were effective at the reasonable assurance level.

There have been no changes in our internal control over financial reporting, as such term is defined in the Exchange Act Rules 13a-15(f) and 15d-15(f), during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings

There have been no other material changes from the information discussed in Part I, Item 3. Legal Proceedings of our Annual Report on Form 10-K for the year ended December 31, 2017. We are or may be from time to time involved in various other disputes, governmental, and/or regulatory inspections, inquiries, investigations, and proceedings that could result in litigation, and other litigation matters that arise from time to time. The process of resolving matters through litigation or other means is inherently uncertain and it is possible that an unfavorable resolution of these matters will adversely affect us, our results of operations, financial condition, and cash flows. Refer to our discussion in *Note 8. Commitments and Contingencies* to the accompanying unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

There have been no material changes from the information discussed in Part I, Item 1A. Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2017. You should carefully consider the risks and uncertainties we discussed in our Form 10-K before deciding to invest in, or retain, shares of our common stock. These are not the only risks and uncertainties that we face. Additional risks and uncertainties that we do not currently know about or that we currently believe are immaterial, or that we have not predicted, may also harm our business operations or adversely affect us. If any of these risks or uncertainties actually occurs, our business, financial condition, operating results, or liquidity could be materially harmed.

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Item 6. Exhibits

(a) Exhibits

Exhibit Number	Description
31.1	Certification of Mark R. Baker, Chief Executive Officer of the Registrant, pursuant to Rule 13a-14(a) and Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended.
31.2	Certification of Patrick Fabbio, Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer) of the Registrant, pursuant to Rule 13a-14(a) and Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended.
32	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Interactive Data Files:
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Document

* The exhibit footnoted as previously filed has been filed as an exhibit to the document of the Registrant or other registrant referenced in the footnote below, and are incorporated by reference herein.

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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.

PROGENICS PHARMACEUTICALS, INC.

Date: May 9, 2018 By: **/s/ Patrick Fabbio**
Patrick Fabbio

Senior Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)