

LEXICON PHARMACEUTICALS, INC.

Form 10-Q

May 05, 2016

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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, 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: 000-30111

Lexicon Pharmaceuticals, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware 76-0474169

(State or Other Jurisdiction of (I.R.S. Employer

Incorporation or Organization) Identification Number)

8800 Technology Forest Place

The Woodlands, Texas 77381

(Address of Principal Executive Offices and Zip Code)

(281) 863-3000

(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 (§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. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of May 2, 2016, 103,821,416 shares of the registrant's common stock, par value \$0.001 per share, were outstanding.

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Factors Affecting Forward Looking Statements

This quarterly report on Form 10-Q contains forward-looking statements. These statements relate to future events or our future financial performance. We have attempted to identify forward-looking statements by terminology including “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “show” or “will,” and the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks outlined under “Part II, Item 1A. - Risk Factors,” that may cause our or our industry’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels or activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We are not under any duty to update any of the forward-looking statements after the date of this quarterly report on Form 10-Q to conform these statements to actual results, unless required by law.

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Part I – Financial Information

Item 1. Financial Statements

Lexicon Pharmaceuticals, Inc.

Consolidated Balance Sheets
(In thousands, except par value)

	As of March 31, 2016 (unaudited)	As of December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 24,681	\$ 202,989
Short-term investments	452,465	318,363
Accounts receivable, net of allowances of \$4	741	911
Prepaid expenses and other current assets	14,271	10,137
Total current assets	492,158	532,400
Property and equipment, net of accumulated depreciation and amortization of \$58,339 and \$59,428, respectively	20,753	21,227
Goodwill	44,543	44,543
Other intangible assets	53,357	53,357
Other assets	530	433
Total assets	\$ 611,341	\$ 651,960
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$ 25,544	\$ 19,725
Accrued liabilities	23,615	24,757
Current portion of deferred revenue	70,764	76,499
Current portion of long-term debt, net of deferred issuance costs	2,020	1,976
Total current liabilities	121,943	122,957
Deferred revenue, net of current portion	102,699	109,151
Long-term debt, net of deferred issuance costs	100,550	100,960
Deferred tax liabilities	18,675	18,675
Other long-term liabilities	14,593	14,367
Total liabilities	358,460	366,110
Commitments and contingencies		
Equity:		
Preferred stock, \$.01 par value; 5,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$.001 par value; 225,000 shares authorized; 104,083 and 103,860 shares issued, respectively	104	104
Additional paid-in capital	1,399,665	1,397,646
Accumulated deficit	(1,143,817)	(1,108,934)
Accumulated other comprehensive gain (loss)	297	(219)
Treasury stock, at cost, 306 and 237 shares, respectively	(3,368)	(2,747)
Total equity	252,881	285,850
Total liabilities and equity	\$ 611,341	\$ 651,960

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

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Lexicon Pharmaceuticals, Inc.

Consolidated Statements of Comprehensive Loss

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Revenues from collaborative agreements	\$12,494	\$1,792
Operating expenses:		
Research and development, including stock-based compensation of \$989 and \$1,104, respectively	37,002	20,865
Increase in fair value of Symphony Icon, Inc. purchase liability	965	1,753
General and administrative, including stock-based compensation of \$846 and \$849, respectively	8,398	5,701
Total operating expenses	46,365	28,319
Loss from operations	(33,871)	(26,527)
Interest expense	(1,649)	(1,702)
Interest and other income, net	637	153
Net loss	\$(34,883)	\$(28,076)
Net loss per common share, basic and diluted	\$(0.34)	\$(0.27)
Shares used in computing consolidated net loss per common share, basic and diluted	103,682	103,516
Other comprehensive loss:		
Unrealized gain on investments	516	86
Comprehensive loss	\$(34,367)	\$(27,990)

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

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Lexicon Pharmaceuticals, Inc.

Consolidated Statements of Stockholders' Equity

(In thousands)

(Unaudited)

	Common Stock		Additional		Accumulated			
	Shares	Par Value	Paid-In Capital	Accumulated Deficit	Comprehensive Gain (Loss)	Treasury Stock	Total	
Balance at December 31, 2014	103,663	\$ 104	\$ 1,390,619	\$(1,104,252)	\$ (63)	\$(2,390)	\$284,018	
Stock-based compensation	—	—	1,953	—	—	—	1,953	
Issuance of common stock under Equity Incentive Plans	167	—	—	—	—	—	—	
Repurchase of common stock	—	—	—	—	—	(357)	(357)	
Net loss	—	—	—	(28,076)	—	—	(28,076)	
Unrealized gain on investments	—	—	—	—	86	—	86	
Other	—	—	(17)	—	—	—	(17)	
Balance at March 31, 2015	103,830	\$ 104	\$ 1,392,555	\$(1,132,328)	\$ 23	\$(2,747)	\$257,607	
Balance at December 31, 2015	103,860	\$ 104	\$ 1,397,646	\$(1,108,934)	\$ (219)	\$(2,747)	\$285,850	
Stock-based compensation	—	—	1,835	—	—	—	1,835	
Issuance of common stock under Equity Incentive Plans	223	—	184	—	—	—	184	
Repurchase of common stock	—	—	—	—	—	(621)	(621)	
Net loss	—	—	—	(34,883)	—	—	(34,883)	
Unrealized gain on investments	—	—	—	—	516	—	516	
Balance at March 31, 2016	104,083	\$ 104	\$ 1,399,665	\$(1,143,817)	\$ 297	\$(3,368)	\$252,881	

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

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Lexicon Pharmaceuticals, Inc.

Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Three Months Ended March 31, 2016	2015
Cash flows from operating activities:		
Net loss	\$ (34,883)	\$ (28,076)
Adjustments to reconcile consolidated net loss to net cash used in operating activities:		
Depreciation and amortization	521	355
Increase in fair value of Symphony Icon, Inc. purchase liability	965	1,753
Stock-based compensation	1,835	1,953
Amortization of debt issuance costs	125	62
Loss on disposal of property and equipment	12	6
Changes in operating assets and liabilities:		
Decrease in accounts receivable	170	865
(Increase) decrease in prepaid expenses and other current assets	(4,134)	1,570
Increase in other assets	—	(393)
Increase (decrease) in accounts payable and other liabilities	3,836	(1,302)
Decrease in deferred revenue	(12,187)	(278)
Net cash used in operating activities	(43,740)	(23,485)
Cash flows from investing activities:		
Purchases of property and equipment	(54)	(17)
	—	4

Proceeds from disposal of property and equipment				
Purchases of investments	(208,986)	(70,978)
Maturities of investments	75,400		—	
Net cash used in investing activities	(133,640)	(70,991)
Cash flows from financing activities:				