

MAP Pharmaceuticals, Inc.
Form 10-Q
May 14, 2008
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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, 2008

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the transition period from _____ to _____

Commission File Number 001-33719

MAP PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

20-0507047
(I.R.S. Employer
Identification No.)

2400 Bayshore Parkway,
Suite 200, Mountain View, California
(Address of principal executive offices)

94043
(Zip code)

(650) 386-3100

(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

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to such filing requirements for the past 90 days. 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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

(do not check if a smaller reporting company)

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

As of May 12, 2008, the registrant had outstanding 20,294,163 shares of Common Stock.

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1 Financial Statements****MAP PHARMACEUTICALS, INC.****(a development stage enterprise)****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands, except share and per share data)****(Unaudited)**

	March 31, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 32,347	\$ 49,116
Short-term investments	48,724	45,874
Prepaid expenses and other current assets	859	1,079
Total current assets	81,930	96,069
Property and equipment, net	4,543	4,183
Other assets	98	122
Restricted investment	321	321
Total assets	\$ 86,892	\$ 100,695
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 934	\$ 1,290
Accrued liabilities	8,369	7,622
Current portion of long-term debt	4,138	3,820
Total current liabilities	13,441	12,732
Long-term debt, net of current	5,277	6,357
Total liabilities	18,718	19,089
Commitments and contingencies (Note 3)		
Stockholders' equity:		
Common stock	197	197
Additional paid-in capital	185,065	184,194
Accumulated other comprehensive income	179	181
Deficit accumulated during the development stage	(117,267)	(102,966)
Total stockholders' equity	68,174	81,606
Total liabilities and stockholders' equity	\$ 86,892	\$ 100,695

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

Table of Contents**MAP PHARMACEUTICALS, INC.****(a development stage enterprise)****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands, except share and per share amounts)****(Unaudited)**

	Three Months Ended March 31,		Cumulative Period from July 3, 2003 (Date of Inception) to March 31, 2008
	2008	2007	
Operating expenses:			
Research and development	\$ 11,815	\$ 4,517	\$ 84,237
Sales, general and administrative	3,140	1,749	23,785
Total operating expenses	14,955	6,266	108,022
Loss from operations	(14,955)	(6,266)	(108,022)
Interest income	853	243	4,999
Interest expense	(310)	(342)	(1,888)
Other income (expense), net	112	(294)	(339)
Net loss	(14,300)	(6,659)	\$ (105,250)
Cumulative stock dividend attributed to preferred stockholders		(1,384)	(13,925)
Net loss attributed to common stockholders	\$ (14,300)	\$ (8,043)	\$ (119,175)
Net loss per share attributed to common stockholders basic and diluted	\$ (0.71)	\$ (10.77)	
Weighted average shares outstanding used in calculating net loss per share attributed to common stockholders basic and diluted	20,209,739	746,815	

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

Table of Contents**MAP PHARMACEUTICALS, INC.****(a development stage enterprise)****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)****(Unaudited)**

	Three Months Ended March 31,		Cumulative Period from July 3, 2003 (Date of Inception) to March 31,
	2008	2007	2008
Cash flows provided by (used for) operating activities:			
Net loss	\$ (14,300)	\$ (6,659)	\$ (105,250)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	230	185	2,135
Accretion of investment discounts, net	(343)		(1,241)
Amortization of debt issuance costs	23	23	131
Change in carrying value of warrant liability		305	621
Issuance of common stock in exchange for services			51
Share-based compensation	837	247	3,298
Loss on disposal and other non-cash items		8	368
Changes in operating assets and liabilities:			
Prepaid expenses and other current assets	221	(100)	(1,084)
Other assets		(30)	(2)
Accounts payable	(356)	(354)	906
Accrued liabilities	746	801	8,336
Net cash used in operating activities	(12,942)	(5,574)	(91,731)
Cash flows provided by (used for) investing activities:			
Purchase of intangible assets and in-process research and development			(412)
Purchase of property and equipment	(590)	(229)	(6,599)
Purchase of short-term investments	(28,986)	(23,949)	(142,841)
Sales and maturities of short-term investments	26,477	4,450	95,856
Purchase of restricted investment			(321)
Net cash used in investing activities	(3,099)	(19,728)	(54,317)
Cash flows provided by (used for) financing activities:			
Proceeds from issuance of convertible notes payable			4,300
Proceeds from issuance of debt			11,006
Proceeds from exercise of common stock options	34	7	100
Repayment of debt	(762)	(75)	(1,616)
Proceeds from issuance of common stock in IPO, net of issuance costs			62,177
Proceeds from issuance of convertible preferred stock, net of issuance costs		50,179	102,428
Net cash provided by (used in) financing activities	(728)	50,111	178,395

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Net increase (decrease) in cash and cash equivalents	(16,769)	24,809	32,347
Cash and cash equivalents at beginning of period	49,116	11,091	
Cash and cash equivalents at end of period	\$ 32,347	\$ 35,900	\$ 32,347
Supplemental disclosures of cash flow information			
Cash paid for interest	\$ 294	\$	\$ 1,658

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

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MAP PHARMACEUTICALS, INC.

(a development stage enterprise)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1. THE COMPANY AND BASIS OF PRESENTATION

MAP Pharmaceuticals, Inc., incorporated in the state of Delaware, was originally formed as a limited liability company on July 3, 2003 and converted to a corporation on December 11, 2003. We use proprietary inhalation technologies to enhance the therapeutic benefits and commercial attractiveness of proven drugs while minimizing risk by capitalizing on their known safety, efficacy and commercialization history. We have several proprietary product candidates in clinical development that address large market opportunities, including our two most advanced product candidates: a proprietary formulation of nebulized budesonide for the potential treatment of pediatric asthma in children from 12 months to eight years of age; and a proprietary orally inhaled version of dihydroergotamine for the potential treatment of migraine. We are in the development stage and since inception have devoted substantially all of our efforts to research and development, raising capital and recruiting personnel.

In October 2007, we completed our initial public offering (IPO) of 5,750,000 shares of common stock at a public offering price of \$12.00 per share. The aggregate net cash proceeds from the IPO were approximately \$62.1 million, after deducting the underwriting discount and commissions and other offering expenses. In connection with the IPO, all outstanding redeemable convertible preferred stock converted into common stock, warrants to purchase convertible preferred stock converted into warrants to purchase common stock, and redeemable convertible preferred stock warrant liability was reclassified to equity.

We have incurred losses since our inception in July 2003. Prior to achieving profitable operations, we intend to continue to fund operations through public or private financings, strategic partnerships or other arrangements.

Basis of Presentation

We have prepared the accompanying interim condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, these financial statements and accompanying notes do not include all of the information and disclosures required by generally accepted accounting principles for complete financial statements. The financial statements include all adjustments (consisting of normal recurring adjustments) that management believes are necessary for the fair presentation of the balances and results for the periods presented. These interim financial statement results are not necessarily indicative of the results to be expected for the full fiscal year or any future interim period.

The balance sheet at December 31, 2007 has been derived from the audited financial statements at that date. The financial statements and related disclosures have been prepared with the presumption that users of the interim financial statements have read or have access to the audited financial statements for the preceding fiscal year. Accordingly, these financial statements should be read in conjunction with the audited financial statements and notes thereto contained in our Form 10-K for the year ended December 31, 2007.

Reverse Stock Split

We initiated a 1-for-1.77 reverse stock split effective October 4, 2007. All shares and per share amounts in these condensed consolidated financial statements and notes thereto have been retroactively adjusted to give effect to the reverse stock split.

Recent Accounting Pronouncements

We adopted Emerging Issues Task Force (EITF) Issue No. 07-3, Accounting for Nonrefundable Advance Payments for Goods or Services to Be Used in Future Research and Development Activities, on a prospective basis for new contracts entered into on or after January 1, 2008. EITF Issue No. 07-3 states that nonrefundable advance payments for future research and development activities should be deferred and recognized as an expense as the goods are delivered or the related services are performed. Entities should then continue to evaluate whether they expect the goods to be delivered or services to be rendered and, if an entity does not expect the goods to be delivered or services to be rendered, the

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capitalized advance payment should be charged to expense. The adoption of EITF Issue No. 07-3 did not have a material effect on our financial position or results of operations.

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements (SFAS 157). SFAS 157 defines fair value, establishes a framework and gives guidance regarding the methods used for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods of those fiscal years. In February 2008, the FASB released a FASB Staff Position (FSP FAS 157-2 - Effective Date of FASB Statement No. 157) which delays the effective date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008. The adoption of SFAS 157 for financial assets and liabilities did not have a material impact on our condensed consolidated financial position, results of operations or cash flows. Please see Note 2. Certain Balance Sheet Components.

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In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159) effective for us January 1, 2008. SFAS 159 permits companies to choose to measure certain financial instruments and other items at fair value. We chose not to elect the fair value option for financial assets and liabilities existing at January 1, 2008, and did not elect the fair value option on financial assets and liabilities transacted in the three months ended March 31, 2008. Therefore, the adoption of SFAS 159 had no impact on our financial position or results of operations.

NOTE 2. CERTAIN BALANCE SHEET COMPONENTS*Short-term investments and Fair Value Measurements*

Short-term investments, all of which have a term of less than one year, are summarized as follows (in thousands):

	Amortized Cost	Unrealized Gains	Estimated Fair Market Value
At March 31, 2008:			
Corporate debt securities	\$ 23,333	\$ 61	\$ 23,394
U.S. government and agency securities	25,212	118	25,330
	\$ 48,545	\$ 179	\$ 48,724
At December 31, 2007:			
Commercial paper	\$ 36,336	\$ 159	\$ 36,495
Auction rate securities	9,357	22	9,379
	\$ 45,693	\$ 181	\$ 45,874

SFAS 157 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, SFAS 157 establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs other than the quoted prices in active markets that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require us to develop our own assumptions. This hierarchy requires us to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. On a recurring basis, we measure our marketable securities at fair value.

Our investment instruments are classified within Level 1 or Level 2 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. The types of instruments that are generally classified within Level 1 of the fair value hierarchy include money market securities. The types of investments that are generally classified within Level 2 of the fair value hierarchy include U.S. government agencies and securities, corporate securities and certificates of deposits.

Fair value hierarchy of our marketable securities at fair value in connection with the adoption of SFAS 157 are summarized as follows (in thousands):

Description	March 31, 2008	Fair Value Measurements at Reporting Date using Quoted Prices in Active Markets for Identical Assets (Level 1)
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