BIOCRYST PHARMACEUTICALS INC
Form 10-Q
August 08, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)

of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2013

Commission File Number 000-23186

BIOCRYST PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	**62-1413174**
(State of other jurisdiction of	**(I.R.S. Employer**

incorporation or organization)	Identification No.)
4505 Emperor Blvd., Suite 200	
Durham, North Carolina	**27703**
(Address of principal executive offices)	**(Zip Code)**

(919) 859-1302

(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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non- accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

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

The number of shares of Common Stock, par value $0.01, of the Registrant outstanding as of July 31, 2013 was 54,236,706.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BIOCRYST PHARMACEUTICALS, INC.

CONSOLIDATED BALANCE SHEETS

June 30, 2013 and December 31, 2012

(In thousands, except per share data)

	2013 (Unaudited)	2012 (Note 1)
Assets		
Cash and cash equivalents	$ 19,767	$ 20,891
Restricted cash	2,129	308
Investments	9,358	14,708
Receivables	1,024	4,562
Prepaid expenses and other current assets	1,179	1,097
Deferred collaboration expense	73	412
Total current assets	33,530	41,978
Investments		1,151
Furniture and equipment, net	425	583
Deferred collaboration expense	266	5,033
Other assets	5,695	8,694
Total assets	$ 39,916	$ 57,439
Liabilities and Stockholders Equity		
Accounts payable	$ 989	$ 3,974
Accrued expenses	5,773	9,860
Interest payable	3,658	1,998
Deferred collaboration revenue	1,538	1,392
Total current liabilities	11,958	17,224
Deferred collaboration revenue	5,327	5,920
Foreign currency derivative	1,678	4,749
Non-recourse notes payable	30,000	30,000
Stockholders equity:		
Preferred stock, $0.001 par value; shares authorized 5,000; no shares issued and outstanding		
Common stock, $0.01 par value: shares authorized 95,000; shares issued and outstanding 54,197 in 2013 and 50,893 in 2012	542	509
Additional paid-in capital	399,684	391,611
Accumulated other comprehensive income	6	27
Accumulated deficit	(409,279)	(392,601)
Total stockholders deficit	(9,047)	(454)

Total liabilities and stockholders equity	$ 39,916	$ 57,439

See accompanying notes to consolidated financial statements.

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BIOCRYST PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

Periods Ended June 30, 2013 and 2012

(In thousands, except per share data-Unaudited)

	Three Months		Six Months	
	2013	**2012**	**2013**	**2012**
Revenues				
Royalty revenue	$ 110	$	$ 2,034	$
Collaborative and other research and development	711	4,210	2,341	16,431
Total revenues	821	4,210	4,375	16,431
Expenses				
Research and development	11,728	12,777	19,139	28,302
General and administrative	1,231	1,609	2,613	3,306
Royalty	4		81	
Total operating expenses	12,963	14,386	21,833	31,608
Loss from operations	(12,142)	(10,176)	(17,458)	(15,177)
Interest and other income	21	57	54	128
Interest expense	(1,165)	(1,160)	(2,345)	(2,320)
Gain (loss) on foreign currency derivative	1,114	(997)	3,071	(959)
Net loss	(12,172)	(12,276)	(16,678)	(18,328)
Basic and diluted net loss per common share	**$ (0.23)**	**$ (0.25)**	**$ (0.32)**	**$ (0.38)**
Weighted average shares outstanding	**53,468**	**49,218**	**52,277**	**48,161**
Unrealized loss on investments	(9)	(9)	(21)	
Comprehensive loss	$ (12,181)	$ (12,285)	$ (16,699)	$ (18,328)

See accompanying notes to consolidated financial statements.

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BIOCRYST PHARMACEUTICALS, INC.

CONSOLDIATED STATEMENTS OF CASH FLOWS

Six Months Ended June 30, 2013 and 2012

(In thousands-Unaudited)

	2013	2012
Operating activities		
Net loss	$ (16,678)	$ (18,328)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	183	325
Stock-based compensation expense	2,521	2,178
Amortization of debt issuance costs	220	220
Change in fair value of foreign currency derivative	(3,071)	959
Changes in operating assets and liabilities:		
Receivables	3,538	747
Prepaid expenses and other assets	(53)	105
Deferred collaboration expense	5,106	1,984
Accounts payable and accrued expenses	(7,072)	(2,575)
Interest payable	1,660	2,100
Deferred collaboration revenue	(447)	(6,305)
Net cash used in operating activities	**(14,093)**	**(18,590)**
Investing activities		
Acquisitions of furniture and equipment	(26)	(109)
Change in restricted cash	(1,821)	(1,605)
Purchases of investments	(369)	(14,534)
Sales and maturities of investments	6,820	25,811
Net cash provided by investing activities	**4,604**	**9,563**
Financing activities		
Sale of common stock, net	5,171	15,339
Exercise of stock options	346	510
Employee stock purchase plan sales	68	148
Receipt (payment) of foreign currency derivative collateral	2,780	(1,490)
Net cash provided by financing activities	**8,365**	**14,507**
Increase (decrease) in cash and cash equivalents	(1,124)	5,480
Cash and cash equivalents at beginning of period	20,891	16,444
Cash and cash equivalents at end of period	**$ 19,767**	**$ 21,924**

See accompanying notes to consolidated financial statements.

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BIOCRYST PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(In thousands, except per share amounts)

Note 1 Significant Accounting Policies

The Company

BioCryst Pharmaceuticals, Inc. (the Company) is a biotechnology company that designs, optimizes and develops novel drugs that block key enzymes involved in the pathogenesis of disease related to therapeutic areas with unmet medical needs aligned with its capabilities and expertise. The Company was incorporated in Delaware in 1986 and its headquarters is located in Durham, North Carolina. The Company integrates the disciplines of biology, crystallography, medicinal chemistry and computer modeling to discover and develop small molecule pharmaceuticals through the process known as structure-guided drug design. BioCryst has incurred losses and negative cash flows from operations since inception.

In the fourth quarter of 2012, the Company implemented a restructuring plan to significantly reduce its cost structure. Based on its current operating plans, the Company expects that it has sufficient liquidity, with its existing cash and investments of $31,254 and the expected $18,500 of net proceeds from its August 6, 2013 public offering of common stock, to continue its planned operations through 2014. The Company s liquidity needs, and ability to address those needs, will largely be determined by the success of its product candidates and key development and regulatory events in the future. In order to continue its operations substantially beyond 2014 it will need to: (1) successfully secure or increase U.S. Government funding of its programs; (2) out-license rights to certain of its product candidates, pursuant to which the Company would receive cash milestone payments; (3) raise additional capital through equity or debt financings or from other sources; (4) obtain product candidate regulatory approvals, which would generate revenue and cash flow; (5) reduce spending on one or more research and development programs; and/or (6) restructure operations. The Company will continue to incur operating losses and negative cash flows until revenues reach a level sufficient to support ongoing operations.

Basis of Presentation

Beginning in March 2011, the consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, JPR Royalty Sub LLC (Royalty Sub). Royalty Sub was formed in connection with a $30,000 financing transaction the Company completed on March 9, 2011. See Note 4, Royalty Monetization, for a further description of this transaction. All intercompany transactions and balances have been eliminated.

The Company s consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) for interim financial reporting and the instructions to Form 10-Q and do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. Such financial statements reflect all adjustments that are, in management s opinion, necessary to present fairly, in all material respects, the Company s consolidated financial position, results of operations, and cash flows.

These financial statements should be read in conjunction with the financial statements for the year ended December 31, 2012 and the notes thereto included in the Company s 2012 Annual Report on Form 10-K. Interim operating results are not necessarily indicative of operating results for the full year. The balance sheet as of December 31, 2012 has been derived from the audited consolidated financial statements included in the Company s most recent Annual Report on Form 10-K.

Reclassifications

In the second quarter of 2012, the Company changed its classification of overhead costs. This change resulted in $84 of overhead expenses being reclassified from general and administrative expense to research and development expense for the three months ended March 31, 2012. This reclassification had no effect on previously reported operating expenses or net loss amounts.

Cash and Cash Equivalents

The Company generally considers cash equivalents to be all cash held in commercial checking accounts, money market accounts or investments in debt instruments with maturities of three months or less at the time of purchase. The carrying value of cash and cash equivalents approximates

fair value due to the short-term nature of these items.

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Restricted Cash

Restricted cash as of June 30, 2013 includes $150 the Company is required to maintain in an interest bearing money market account to serve as collateral for a corporate credit card program and $1,979 in royalty revenue paid by Shionogi & Co., Ltd. (Shionogi) designated for interest on the PhaRMA Notes (defined in Note 4).

Investments

The Company invests in high credit quality investments in accordance with its investment policy, which is designed to minimize the possibility of loss. The objective of the Company s investment policy is to ensure the safety and preservation of invested funds, as well as maintaining liquidity sufficient to meet cash flow requirements. The Company places its excess cash with high credit quality financial institutions, commercial companies, and government agencies in order to limit the amount of its credit exposure. Per its policy, the Company is able to invest in marketable debt securities that may consist of U.S. Government and government agency securities, money market and mutual fund investments, municipal and corporate notes and bonds, commercial paper and asset or mortgage-backed securities, among others. The Company s investment policy requires it to purchase high-quality marketable securities with a maximum individual maturity of three years and requires an average portfolio maturity of no more than 18 months. Some of the securities the Company invests in may have market risk. This means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate. To minimize this risk, the Company schedules its investments with maturities that coincide with expected cash flow needs, thus avoiding the need to redeem an investment prior to its maturity date. Accordingly, the Company does not believe it has a material exposure to interest rate risk arising from its investments. Generally, the Company s investments are not collateralized. The Company has not realized any significant losses from its investments.

The Company classifies all of its investments as available-for-sale. Unrealized gains and losses on investments are recognized in comprehensive income/(loss), unless an unrealized loss is considered to be other than temporary, in which case the unrealized loss is charged to operations. The Company periodically reviews its investments for other than temporary declines in fair value below cost basis and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company believes the individual unrealized losses represent temporary declines primarily resulting from interest rate changes. Realized gains and losses are reflected in interest and other income in the Consolidated Statements of Comprehensive Loss and are determined using the specific identification method with transactions recorded on a settlement date basis. Investments with original maturities at date of purchase beyond three months and which mature at or less than 12 months from the balance sheet date are classified as current. Investments with a maturity beyond 12 months from the balance sheet date are classified as long-term. At June 30, 2013, the Company believes that the costs of its investments are recoverable in all material respects.

The following tables summarize the fair value of the Company s investments by type. The estimated fair value of the Company s fixed income investments are classified as Level 2 in the fair value hierarchy as defined in U.S. GAAP. These fair values are obtained from independent pricing services which utilize Level 2 inputs.