

NEUROCRINE BIOSCIENCES INC

Form 10-Q

November 04, 2014

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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 September 30, 2014

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 0-22705

**NEUROCRINE BIOSCIENCES, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**33-0525145**  
(IRS Employer  
Identification No.)

**12780 El Camino Real,**  
**San Diego, California**  
(Address of principal executive office)

**92130**  
(Zip Code)

**(858) 617-7600**  
(Registrant's telephone number, including area code)

**Not Applicable**

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes  No

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

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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

The number of outstanding shares of the registrant's common stock, par value \$0.001 per share, was 76,005,155 as of October 27, 2014.

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**Table of Contents****PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****NEUROCRINE BIOSCIENCES, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(in thousands, except share information)****(unaudited)**

	<b>September 30, 2014</b>	<b>December 31, 2013</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 29,046	\$ 44,789
Short-term investments, available for sale	150,628	100,950
Other current assets	4,194	2,723
Total current assets	183,868	148,462
Property and equipment, net	2,292	1,771
Long-term investments, available for sale	67,148	
Restricted cash	4,443	4,443
Total assets	\$ 257,751	\$ 154,676
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 900	\$ 101
Accrued liabilities	9,307	7,955
Current portion of cease-use liability	454	416
Current portion of deferred rent	85	
Current portion of deferred gain on sale of real estate	3,299	3,227
Total current liabilities	14,045	11,699
Deferred gain on sale of real estate	15,159	17,645
Deferred rent	1,916	1,982
Cease-use liability	2,334	2,680
Other liabilities	260	260
Total liabilities	33,714	34,266
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized; no shares issued and outstanding		
Common stock, \$0.001 par value; 110,000,000 shares authorized; issued and outstanding shares were 75,996,384 as of September 30, 2014 and 67,351,195 as of December 31, 2013	76	67
Additional paid-in capital	1,031,029	886,101
Accumulated other comprehensive (loss) gain	(207)	5
Accumulated deficit	(806,861)	(765,763)
Total stockholders' equity	224,037	120,410

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Total liabilities and stockholders' equity	\$ 257,751	\$ 154,676
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See accompanying notes to the condensed consolidated financial statements.

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	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Revenues:</b>				
License fees	\$	\$ 729	\$	\$ 2,189
<b>Total revenues</b>		<b>729</b>		<b>2,189</b>
<b>Operating expenses:</b>				
Research and development	12,194	9,490	30,927	30,330
General and administrative	4,663	3,245	13,016	10,007
<b>Total operating expenses</b>	<b>16,857</b>	<b>12,735</b>	<b>43,943</b>	<b>40,337</b>
Loss from operations	(16,857)	(12,006)	(43,943)	(38,148)
<b>Other income:</b>				
Gain (loss) on sale/disposal of assets	1	6	(4)	38
Deferred gain on real estate	805	781	2,414	2,344
Investment income, net	176	93	432	317
Other income (loss), net		(5)	3	1
<b>Total other income</b>	<b>982</b>	<b>875</b>	<b>2,845</b>	<b>2,700</b>
<b>Net loss</b>	<b>\$ (15,875)</b>	<b>\$ (11,131)</b>	<b>\$ (41,098)</b>	<b>\$ (35,448)</b>
<b>Net loss per common share:</b>				
Basic and diluted	\$ (0.21)	\$ (0.17)	\$ (0.56)	\$ (0.53)
<b>Shares used in the calculation of net loss per common share:</b>				
Basic and diluted	75,948	67,199	74,050	66,868
<b>Other comprehensive loss:</b>				
Net loss	\$ (15,875)	\$ (11,131)	\$ (41,098)	\$ (35,448)
Net unrealized (losses) gains on available-for-sale securities	(81)	35	(212)	(7)
<b>Comprehensive loss</b>	<b>\$ (15,956)</b>	<b>\$ (11,096)</b>	<b>\$ (41,310)</b>	<b>\$ (35,455)</b>

See accompanying notes to the condensed consolidated financial statements.

**Table of Contents****NEUROCRINE BIOSCIENCES, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)****(unaudited)**

	<b>Nine Months Ended September 30,</b>	
	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (41,098)	\$ (35,448)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	603	515
Gain on sale of assets	(2,410)	(2,382)
Deferred revenues		(2,189)
Deferred rent	19	115
Amortization of premiums on investments	2,745	2,108
Non-cash share-based compensation expense	7,938	5,123
Change in operating assets and liabilities:		
Receivables under collaboration agreements and other assets	(1,471)	13,944
Accounts payable and accrued liabilities	2,151	(26)
Cease-use liability	(308)	(488)
Net cash used in operating activities	(31,831)	(18,728)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(241,156)	(130,379)
Sales and maturities of investments	121,373	115,306
Proceeds from sales of property and equipment	45	38
Purchases of property and equipment	(1,173)	(354)
Net cash used in investing activities	(120,911)	(15,389)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of common stock	136,999	5,252
Net cash provided by financing activities	136,999	5,252
Net decrease in cash and cash equivalents	(15,743)	(28,865)
Cash and cash equivalents at beginning of the period	44,789	63,754
Cash and cash equivalents at end of the period	\$ 29,046	\$ 34,889

See accompanying notes to the condensed consolidated financial statements.

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**NEUROCRINE BIOSCIENCES, INC.**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(unaudited)**

**1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

*Description of Business.* Neurocrine Biosciences, Inc. (the Company or Neurocrine) was incorporated in California in 1992 and reincorporated in Delaware in 1996. The Company discovers and develops innovative and life-changing pharmaceuticals, in diseases with high unmet medical needs, through its novel research and development platform, focused on neurological and endocrine based diseases and disorders. The Company's two lead late-stage clinical programs are elagolix, a gonadotropin-releasing hormone antagonist for women's health that is partnered with AbbVie Inc., and a wholly owned vesicular monoamine transporter 2 inhibitor for the treatment of movement disorders.

*Basis of Presentation.* The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information and with the instructions of the Securities and Exchange Commission (SEC) on Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and disclosures required by GAAP for complete financial statements. In the opinion of management, the condensed consolidated financial statements include all adjustments necessary, which are of a normal and recurring nature, for the fair presentation of the Company's financial position and of the results of operations and cash flows for the periods presented. The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiary.

These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2013 included in the Company's Annual Report on Form 10-K filed with the SEC. The results of operations for the interim period shown in this report are not necessarily indicative of the results that may be expected for any other interim period or for the full year. The balance sheet at December 31, 2013 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by GAAP for complete financial statements.

*Impact of Recently Issued Accounting Standards.* In May 2014, the Financial Accounting Standards Board amended the existing accounting standards for revenue recognition. The amendments are based on the principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for said goods or services. The Company is required to adopt the amendments beginning in 2017. Early adoption is not permitted. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Company is currently evaluating the impact that these amendments will have on its consolidated financial statements.

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

**2. INVESTMENTS**

Available-for-sale securities are carried at fair value, with the unrealized gains and losses reported in comprehensive loss. The amortize