

MERRIMACK PHARMACEUTICALS INC
Form 10-Q
November 07, 2018

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, 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 number: 001-35409

Merrimack Pharmaceuticals, Inc.

(Exact name of registrant as specified in its charter)

Delaware 04-3210530
(State or other jurisdiction of (I.R.S. Employer

incorporation or organization) Identification Number)

One Kendall Square, Suite B7201 02139

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Cambridge, MA
(Address of principal executive offices) (Zip Code)

(617) 441-1000

(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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	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 November 1, 2018, there were 13,342,784 shares of Common Stock, \$0.01 par value per share, outstanding.

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PART I

FINANCIAL INFORMATION

Item 1. Financial Statements.

Merrimack Pharmaceuticals, Inc.
Condensed Consolidated Balance Sheets

(unaudited)

	September 30,	December 31,
(in thousands, except per share amounts)	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 49,794	\$ 93,441
Marketable securities	35,052	—
Restricted cash	584	—
Prepaid expenses and other current assets	1,837	1,605
Total current assets	87,267	95,046
Restricted cash	—	674
Property and equipment, net	3,188	6,467
Equity method investment	8,893	10,551
Other assets	4,568	4,588
Total assets	\$ 103,916	\$ 117,326
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable, accrued expenses and other	\$ 19,049	\$ 17,606
Accrued intraperiod tax allocation	1,340	—
Deferred rent	1,676	2,171
Total current liabilities	22,065	19,777
Deferred rent, net of current portion	—	1,209
Notes payable, net of discount	14,752	—
Other long-term liabilities	56	56
Total liabilities	36,873	21,042
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Preferred stock, \$0.01 par value: 10,000 shares authorized at September 30, 2018 and		
December 31, 2017; no shares issued or outstanding at September 30, 2018 or		
December 31, 2017	—	—
Common stock, \$0.01 par value: 30,000 shares authorized at September 30, 2018 and		
20,000 shares authorized at December 31, 2017; 13,343 shares issued and	1,334	1,334
outstanding		

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at September 30, 2018 and December 31, 2017

Additional paid-in capital	580,047	577,721
Accumulated deficit	(514,333)	(482,771)
Accumulated other comprehensive loss	(5)	—
Total stockholders' equity	67,043	96,284
Total liabilities and stockholders' equity	\$ 103,916	\$ 117,326

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

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Merrimack Pharmaceuticals, Inc.

Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)

(unaudited)

(in thousands, except per share amounts)	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Operating expenses:				
Research and development expenses	\$12,959	\$13,598	\$39,743	\$54,954
General and administrative expenses	3,777	3,366	11,560	23,798
Total operating expenses	16,736	16,964	51,303	78,752
Loss from continuing operations	(16,736)	(16,964)	(51,303)	(78,752)
Other income and expenses:				
Interest income	306	250	863	646
Interest expense	(472)	(1,659)	(472)	(30,400)
Gain on deconsolidation of Silver Creek Pharmaceuticals, Inc.	—	10,848	—	10,848
Gain on sale of asset	—	—	—	1,703
Other income (expense), net	(237)	69	(1,778)	(592)
Total other income and expenses	(403)	9,508	(1,387)	(17,795)
Net loss from continuing operations before income tax benefit	(17,139)	(7,456)	(52,690)	(96,547)
Income tax benefit	4,798	2,133	4,798	32,372
Net loss from continuing operations	(12,341)	(5,323)	(47,892)	(64,175)
Discontinued operations:				
Income from discontinued operations, net of tax	16,330	8,456	16,330	547,994
Net income (loss)	3,989	3,133	(31,562)	483,819
Net income (loss) attributable to non-controlling interest	—	31	—	(1,160)
Net income (loss) attributable to Merrimack Pharmaceuticals, Inc.	\$3,989	\$3,102	\$(31,562)	\$484,979
Other comprehensive income (loss):				
Unrealized loss on marketable securities	(4)	—	(5)	—
Other comprehensive income (loss)	(4)	—	(5)	—
Comprehensive income (loss)	\$3,985	\$3,102	\$(31,567)	\$484,979
Amounts attributable to Merrimack Pharmaceuticals, Inc.:				
Net loss from continuing operations	\$(12,341)	\$(5,354)	\$(47,892)	\$(63,015)
Income from discontinued operations, net of tax	16,330	8,456	16,330	547,994
Income (loss) attributable to Merrimack Pharmaceuticals, Inc.	\$3,989	\$3,102	\$(31,562)	\$484,979
Basic and dilutive net income (loss) per common share				
Net loss from continuing operations	\$(0.92)	\$(0.40)	\$(3.59)	\$(4.77)
Net income from discontinued operations, net of tax	1.22	0.64	1.22	41.52
Net income (loss) per share	\$0.30	\$0.24	\$(2.37)	\$36.75
Weighted-average common shares used per share calculations—basic and	13,343	13,282	13,343	13,197

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diluted				
Cash dividend paid per common share	\$—	\$—	\$—	\$10.55

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

Merrimack Pharmaceuticals, Inc.

Condensed Consolidated Statements of Cash Flows

(unaudited)

(in thousands)	Nine Months Ended	
	September 30, 2018	2017
Cash flows from operating activities		
Net (loss) income	\$ (31,562)	\$ 483,819
Less:		
Gain from discontinued operations	16,330	547,994
Loss from continuing operations	(47,892)	(64,175)
Adjustments to reconcile net (loss) income to net cash used in operating activities		
Non-cash interest expense	121	3,352
Loss on extinguishment of debt	—	25,011
Benefit from intraperiod tax allocation	(4,798)	(32,372)
Depreciation and amortization expense	3,211	2,813
Non-cash activity related to discontinued operations	(532)	10,241
Gain on deconsolidation of Silver Creek Pharmaceuticals, Inc.	—	(10,848)
Loss (gain) on sale of property and equipment	184	(439)
Premiums paid on marketable securities	(2)	—
Amortization and accretion on marketable securities	(398)	—
Stock-based compensation expense	2,326	11,110
Loss on equity method investment	1,658	—

Changes in operating
assets and liabilities:

Prepaid expenses and other assets	(314)	(6,120)
Income taxes payable	361	1,844
Accounts payable, accrued expenses and other	1,083	