

LEXICON PHARMACEUTICALS, INC./DE
Form 10-Q
April 30, 2008

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: 000-30111

Lexicon Pharmaceuticals, Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

76-0474169
(I.R.S. Employer
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 ☐

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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. (Check one)

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 ☐

As of April 28, 2008, 136,795,546 shares of the registrant’s common stock, par value \$0.001 per share, were outstanding.

Lexicon Pharmaceuticals, Inc.

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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,” “s” 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, 2008 (unaudited)	As of December 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 59,457	\$ 22,938
Short-term investments, including restricted investments of \$430	76,630	199,171
Short-term investments held by Symphony Icon, Inc.	33,421	36,666
Accounts receivable, net of allowances of \$35	1,244	1,763
Prepaid expenses and other current assets	3,623	4,112
Total current assets	174,375	264,650
Long-term investments	59,288	—
Property and equipment, net of accumulated depreciation and amortization of \$66,774 and \$65,004, respectively	69,650	70,829
Goodwill	25,798	25,798
Other assets	7,462	8,019
Total assets	\$ 336,573	\$ 369,296
Liabilities, Noncontrolling Interest and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 4,252	\$ 7,344
Accrued liabilities	9,393	9,093
Current portion of deferred revenue	13,141	18,030
Current portion of long-term debt	905	880
Total current liabilities	27,691	35,347
Deferred revenue, net of current portion	14,719	16,126
Long-term debt	30,251	30,493
Other long-term liabilities	764	759
Total liabilities	73,425	82,725
Noncontrolling interest in Symphony Icon, Inc.	25,347	30,271
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value; 5,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$.001 par value; 300,000 shares authorized; 136,796 and 136,795 shares issued and outstanding, respectively	137	137
Additional paid-in capital	668,481	666,702
Accumulated deficit	(428,485)	(410,535)
Accumulated other comprehensive loss	(2,332)	(4)

Total stockholders' equity		237,801		256,300
Total liabilities and stockholders' equity	\$	336,573	\$	396,296

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

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Lexicon Pharmaceuticals, Inc.

Consolidated Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2008	2007
Revenues:		
Collaborative research	\$ 7,634	\$ 12,271
Subscription and license fees	1,259	1,224
Total revenues	8,893	13,495
Operating expenses:		
Research and development, including stock-based compensation of \$1,127 and \$991, respectively	27,802	27,290
General and administrative, including stock-based compensation of \$652 and \$568, respectively	5,529	5,300
Total operating expenses	33,331	32,590
Loss from operations	(24,438)	(19,095)
Interest income	2,781	880
Interest expense	(670)	(688)
Other expense, net	(547)	(12)
Loss before noncontrolling interest in Symphony Icon, Inc.	(22,874)	(18,915)
Loss attributable to noncontrolling interest in Symphony Icon, Inc.	4,924	—
Net loss	\$ (17,950)	\$ (18,915)
Net loss per common share, basic and diluted	\$ (0.13)	\$ (0.24)
Shares used in computing net loss per common share, basic and diluted	136,795	77,938

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,	
	2008	2007
Cash flows from operating activities:		
Net loss	\$ (17,950)	\$ (18,915)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	2,058	2,468
Amortization of Symphony Icon, Inc. purchase option	535	—
Loss attributable to noncontrolling interest	(4,924)	—
Stock-based compensation	1,779	1,559
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	519	(536)
Decrease in prepaid expenses and other current assets	489	830
(Increase) decrease in other assets	22	(28)
Decrease in accounts payable and other liabilities	(2,787)	(2,695)
Decrease in deferred revenue	(6,296)	(3,500)
Net cash used in operating activities	(26,555)	(20,817)
Cash flows from investing activities:		
Purchases of property and equipment	(879)	(318)
Maturities of investments held by Symphony Icon, Inc.	3,245	—
Purchases of short-term investments	(39,848)	(5,692)
Maturities of short-term investments	100,773	15,564
Net cash provided by investing activities	63,291	9,554
Cash flows from financing activities:		
Proceeds from issuance of common stock	—	851
Repayment of debt borrowings	(217)	(206)
Net cash provided by (used in) financing activities	(217)	645
Net increase (decrease) in cash and cash equivalents	36,519	(10,618)
Cash and cash equivalents at beginning of period	22,938	30,226
Cash and cash equivalents at end of period	\$ 59,457	\$ 19,608
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 656	\$ 662

Supplemental disclosure of non-cash investing and financing activities: