

HALOZYME THERAPEUTICS INC
Form 10-Q
November 06, 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 001-32335

HALOZYME THERAPEUTICS, INC.
(Exact name of registrant as specified in its charter)

Delaware 88-0488686
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

11388 Sorrento Valley Road, San Diego, CA 92121
(Address of principal executive offices) (Zip Code)
(858) 794-8889
(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 or a smaller reporting 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. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company
x

(Do not check if a smaller reporting 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

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The number of outstanding shares of the registrant's common stock, par value \$0.001 per share, was 144,557,543 as of October 30, 2018.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

HALOZYME THERAPEUTICS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except per share amounts)

	September 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 55,019	\$ 168,740
Marketable securities, available-for-sale	309,347	300,474
Accounts receivable, net and other contract assets	27,656	22,133
Inventories	18,285	5,146
Prepaid expenses and other assets	19,619	13,879
Total current assets	429,926	510,372
Property and equipment, net	6,790	3,520
Prepaid expenses and other assets	7,291	5,553
Restricted cash	500	500
Total assets	\$ 444,507	\$ 519,945
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 3,331	\$ 7,948
Accrued expenses	43,020	39,601
Deferred revenue, current portion	4,247	6,568
Current portion of long-term debt, net	88,521	77,211
Total current liabilities	139,119	131,328
Deferred revenue, net of current portion	5,507	54,297
Long-term debt, net	57,940	125,140
Other long-term liabilities	2,203	814
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Preferred stock - \$0.001 par value; 20,000 shares authorized; no shares issued and outstanding	—	—
Common stock - \$0.001 par value; 200,000 shares authorized; 144,522 and 142,789 shares issued and outstanding at September 30, 2018 and December 31, 2017, respectively	145	143
Additional paid-in capital	769,382	731,044
Accumulated other comprehensive loss	(478) (450)
Accumulated deficit	(529,311) (522,371)
Total stockholders' equity	239,738	208,366
Total liabilities and stockholders' equity	\$ 444,507	\$ 519,945

See accompanying notes to condensed consolidated financial statements.

HALOZYME THERAPEUTICS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (Unaudited)
 (In thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues:				
Royalties	\$18,710	\$17,119	\$59,643	\$45,839
Product sales, net	6,269	13,589	17,553	37,803
Revenues under collaborative agreements	577	33,023	14,434	43,407
Total revenues	25,556	63,731	91,630	127,049
Operating expenses:				
Cost of product sales	626	8,332	4,514	23,664
Research and development	35,540	33,993	113,602	109,267
Selling, general and administrative	14,864	13,329	42,773	39,045
Total operating expenses	51,030	55,654	160,889	171,976
Operating (loss) income	(25,474)	8,077	(69,259)	(44,927)
Other income (expense):				
Investment and other income, net	1,910	790	5,561	1,512
Interest expense	(4,286)	(5,538)	(14,286)	(16,526)
Net (loss) income before income taxes	(27,850)	3,329	(77,984)	(59,941)
Income tax expense	—	580	220	970
Net (loss) income	\$(27,850)	\$2,749	\$(78,204)	\$(60,911)
Net (loss) income per share:				
Basic	\$(0.19)	\$0.02	\$(0.55)	\$(0.45)
Diluted	\$(0.19)	\$0.02	\$(0.55)	\$(0.45)
Shares used in computing net (loss) income per share:				
Basic	143,949	141,190	143,396	134,633
Diluted	143,949	143,236	143,396	134,633

See accompanying notes to condensed consolidated financial statements.

HALOZYME THERAPEUTICS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
 (Unaudited)
 (In thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net (loss) income	\$(27,850)	\$2,749	\$(78,204)	\$(60,911)
Other comprehensive income (loss):				
Unrealized gain (loss) on marketable securities	256	24	(17)	(40)
Foreign currency translation adjustment	2	1	(11)	(6)
Unrealized loss on foreign currency	—	(17)	—	(1)
Total comprehensive (loss) income	\$(27,592)	\$2,757	\$(78,232)	\$(60,958)

See accompanying notes to condensed consolidated financial statements.

HALOZYME THERAPEUTICS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited)
 (In thousands)

	Nine Months Ended September 30,	
	2018	2017
Operating activities:		
Net loss	\$(78,204)	\$(60,911)
Adjustments to reconcile net loss to net cash used in operating activities:		
Share-based compensation	26,684	23,268
Depreciation and amortization	1,798	1,668
Non-cash interest expense	2,000	2,378
Accretion of discounts on marketable securities, net	(2,166)	(94)
Deferral of unearned revenue	3,000	422
Recognition of deferred revenue	(2,333)	(4,192)
Deferral (recognition) of rent expense	78	(125)
Other	(10)	38
Changes in operating assets and liabilities:		
Accounts receivable, net and other contract assets	13,962	985
Inventories	(13,139)	5,292
Prepaid expenses and other assets	(7,477)	8,998
Accounts payable and accrued expenses	(4,155)	3,077
Net cash used in operating activities	(59,962)	(19,196)
Investing activities:		
Purchases of marketable securities	(272,643)	(198,748)
Proceeds from maturities of marketable securities	265,917	184,494
Purchases of property and equipment	(1,590)	(490)
Net cash used in investing activities	(8,316)	(14,744)
Financing activities:		
Proceeds from issuance of common stock, net	—	134,875
Repayment of long-term debt	(57,099)	(10,988)
Proceeds from issuance of common stock under equity incentive plans, net of taxes paid related to net share settlement	11,656	7,686
Net cash (used in) provided by financing activities	(45,443)	131,573
Net (decrease) increase in cash, cash equivalents and restricted cash	(113,721)	97,633
Cash, cash equivalents and restricted cash at beginning of period	169,240	67,264
Cash, cash equivalents and restricted cash at end of period	\$55,519	\$164,897
Supplemental disclosure of non-cash investing and financing activities:		
Amounts accrued for purchases of property and equipment	\$2,345	