

NEUROCRINE BIOSCIENCES INC

Form 10-Q

July 29, 2010

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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 June 30, 2010

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 54,842,198 as of July 23, 2010.

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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 for share information)****(unaudited)**

	<b>June 30, 2010</b>	<b>December 31, 2009</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 95,120	\$ 37,329
Short-term investments	36,268	16,135
Accounts receivable	11,280	
Other current assets	1,093	1,923
Total current assets	143,761	55,387
Property and equipment, net	2,085	2,695
Long-term investments	2,869	6,411
Restricted cash	6,329	6,325
Total assets	\$ 155,044	\$ 70,818
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 640	\$ 2,188
Accrued liabilities	7,172	6,240
Current portion of deferred revenues	36,951	2,941
Current portion of cease-use liability	4,450	4,289
Current portion of deferred gain on sale of real estate	2,910	2,867
Other liabilities		1,436
Total current liabilities	52,123	19,961
Deferred revenues	55,637	8,757
Deferred gain on sale of real estate	28,527	29,999
Deferred rent	1,252	906
Cease-use liability	5,093	7,241
Total liabilities	142,632	66,864
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 54,841,032 as of June 30, 2010 and 43,991,565 as of December 31, 2009	55	44
Additional paid-in capital	779,755	757,002
Accumulated other comprehensive income	691	1,209
Accumulated deficit	(768,089)	(754,301)

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Total stockholders' equity	12,412	3,954
Total liabilities and stockholders' equity	\$ 155,044	\$ 70,818

See accompanying notes to the condensed consolidated financial statements.

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(in thousands, except loss per share data)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
<b>Revenues:</b>				
Sponsored research and development	\$ 1,286	\$ 3	\$ 1,309	\$ 20
License fees and milestones	3,357	730	4,087	1,460
<b>Total revenues</b>	<b>4,643</b>	<b>733</b>	<b>5,396</b>	<b>1,480</b>
<b>Operating expenses:</b>				
Research and development	7,283	10,808	14,859	21,656
General and administrative	3,116	4,827	6,315	9,022
Cease use expense	134	941	281	5,769
<b>Total operating expenses</b>	<b>10,533</b>	<b>16,576</b>	<b>21,455</b>	<b>36,447</b>
Loss from operations	(5,890)	(15,843)	(16,059)	(34,967)
<b>Other income:</b>				
Gain on sale/disposal of assets	53	21	168	162
Deferred gain on real estate	715	694	1,430	1,389
Investment income and (expense), net	(65)	(345)	614	(1,798)
Other income, net	35	193	59	269
<b>Total other income</b>	<b>738</b>	<b>563</b>	<b>2,271</b>	<b>22</b>
<b>Net loss</b>	<b>\$ (5,152)</b>	<b>\$ (15,280)</b>	<b>\$ (13,788)</b>	<b>\$ (34,945)</b>
<b>Net loss per common share:</b>				
Basic and diluted	\$ (0.09)	\$ (0.39)	\$ (0.27)	\$ (0.90)
<b>Shares used in the calculation of net loss per common share:</b>				
Basic and diluted	54,836	39,046	50,750	38,858

See accompanying notes to the condensed consolidated financial statements.

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	<b>Six Months Ended June 30,</b>	
	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (13,788)	\$ (34,945)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	788	1,850
Gain on sale of assets	(168)	(162)
Fair value adjustment for auction rate security rights	1,206	407
Loss on sale of investments	186	1,064
Fair value adjustment for auction rate securities	(1,206)	812
Realized gain on sale of auction rate securities	(591)	
Cease-use expense	281	5,769
Deferred gain on sale of real estate	(1,429)	(1,389)
Deferred revenues	(4,110)	(1,475)
Deferred rent	346	646
Share-based compensation expense	1,402	2,911
Amortization of premiums on short term-investments	198	(3)
Change in operating assets and liabilities:		
Proceeds from sale of trading securities	3,675	
Accounts receivable and other current assets	(465)	(67)
Other assets		1,999
Accounts payable and accrued liabilities	(616)	(648)
Upfront licensing fees	75,000	
Cease-use liability	(2,268)	(3,002)
Other liabilities	(1,436)	(1,788)
Net cash provided by (used in) operating activities	57,005	(28,021)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(26,722)	(15,346)
Sales/maturities of investments	6,160	13,200
Deposits and restricted cash	(4)	(5)
Proceeds from sales of property and equipment	207	345
Purchases of property and equipment, net	(217)	(25)
Net cash used in investing activities	(20,576)	(1,831)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of common stock	21,362	
Net cash provided by financing activities	21,362	
Net increase (decrease) in cash and cash equivalents	57,791	(29,852)
Cash and cash equivalents at beginning of the period	37,329	68,467
Cash and cash equivalents at end of the period	\$ 95,120	\$ 38,615

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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. BASIS OF PRESENTATION**

The condensed consolidated financial statements included herein are unaudited. These statements have been prepared in accordance with accounting principles generally accepted in the United States 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 accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, these financial statements include all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented. The results of operations for the interim period shown in this report are not necessarily indicative of results expected for the full year. These financial statements should be read in conjunction with the Management's Discussion and Analysis of Financial Condi