

ARENA PHARMACEUTICALS INC

Form 10-Q

August 09, 2012

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2012

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: 000-31161

**ARENA PHARMACEUTICALS, INC.**

(Exact name of registrant as specified in its charter)

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<b>Delaware</b> (State or other jurisdiction of incorporation or organization)	<b>23-2908305</b> (I.R.S. Employer Identification No.)
<b>6166 Nancy Ridge Drive, San Diego, CA</b> (Address of principal executive offices)	<b>92121</b> (Zip Code)
<b>858.453.7200</b> (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 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 (§232.405 of this chapter) 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 <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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 shares of common stock outstanding as of the close of business on August 6, 2012:

Class	Number of Shares Outstanding
Common Stock, \$0.0001 par value	216,817,954

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In this report, Arena Pharmaceuticals, Arena, we, us and our refer to Arena Pharmaceuticals, Inc., and our wholly owned subsidiaries, unless context otherwise provides.

Arena Pharmaceuticals®, Arena® and our corporate logo are registered service marks of Arena. CART and BRL Screening are unregistered service marks of Arena. BELVIQ® is a registered trademark of Arena Pharmaceuticals GmbH. Any other brand names or trademarks appearing in this Quarterly Report on Form 10-Q are the property of their respective holders.

**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements.****Arena Pharmaceuticals, Inc.****Condensed Consolidated Balance Sheets****(In thousands)**

	<b>June 30, 2012 (Unaudited)</b>	<b>December 31, 2011<sup>1</sup></b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 143,811	\$ 57,632
Accounts receivable	20,578	607
Prepaid expenses and other current assets	2,863	2,021
Total current assets	167,252	60,260
Land, property and equipment, net	77,642	82,066
Acquired technology and other intangibles, net	10,507	11,032
Other non-current assets	3,602	3,771
Total assets	\$ 259,003	\$ 157,129
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 3,437	\$ 5,294
Accrued compensation	3,793	4,280
Current portion of deferred revenues	3,848	3,473
Current portion of derivative liabilities	6,191	0
Current portion of lease financing obligations	1,483	1,313
Total current liabilities	18,752	14,360
Deferred rent	164	225
Deferred revenues, less current portion	44,065	41,209
Derivative liabilities, less current portion	14,571	1,617
Lease financing obligations, less current portion	73,676	74,458
Note payable to Deerfield	0	14,698
Commitments and contingencies and subsequent events		
Stockholders' equity:		
Common stock	21	15
Additional paid-in capital	1,255,055	1,108,625
Treasury stock, at cost	0	(23,070)
Accumulated other comprehensive income	4,196	4,743
Accumulated deficit	(1,151,497)	(1,079,751)
Total stockholders' equity	107,775	10,562

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Total liabilities and stockholders' equity	\$ 259,003	\$ 157,129
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<sup>1</sup> The balance sheet data at December 31, 2011, has been derived from audited financial statements at that date. It does not include, however, all of the information and notes required by US generally accepted accounting principles for complete financial statements.  
See accompanying notes to unaudited condensed consolidated financial statements.

**Table of Contents****Arena Pharmaceuticals, Inc.****Condensed Consolidated Statements of Operations and Comprehensive Loss****(In thousands, except per share data)****(Unaudited)**

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Revenues:</b>				
Manufacturing services	\$ 1,029	\$ 1,269	\$ 2,321	\$ 2,677
Collaborative agreements	20,948	1,990	21,845	4,507
Total revenues	21,977	3,259	24,166	7,184
<b>Operating Expenses:</b>				
Cost of manufacturing services	652	2,277	1,443	4,658
Research and development	14,076	14,703	28,546	30,638
General and administrative	5,216	6,077	11,571	12,967
Restructuring charges	0	0	0	3,467
Amortization of acquired technology and other intangibles	173	186	349	622
Total operating expenses	20,117	23,243	41,909	52,352
Income (Loss) from operations	1,860	(19,984)	(17,743)	(45,168)
<b>Interest and Other Income (Expense):</b>				
Interest income	25	33	40	82
Interest expense	(2,489)	(3,182)	(5,520)	(7,876)
Gain (Loss) from valuation of derivative liabilities	(16,770)	181	(19,145)	620
Loss on extinguishment of debt	(4,668)	0	(6,338)	(10,514)
Other	(57)	44	30	50
Total interest and other expense, net	(23,959)	(2,924)	(30,933)	(17,638)
Net loss	(22,099)	(22,908)	(48,676)	(62,806)
Deemed dividend related to beneficial conversion feature of convertible preferred stock	0	0	(2,824)	(2,260)
Net loss allocable to common stockholders	\$ (22,099)	\$ (22,908)	\$ (51,500)	\$ (65,066)
<b>Net loss per share allocable to common stockholders:</b>				
Basic	\$ (0.12)	\$ (0.16)	\$ (0.29)	\$ (0.49)
Diluted	\$ (0.12)	\$ (0.16)	\$ (0.29)	\$ (0.49)
<b>Shares used in calculating net loss per share allocable to common stockholders:</b>				
Basic	190,272	142,693	177,243	132,232
Diluted	190,272	142,693	177,243	132,232

**Comprehensive Loss:**

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Net loss	\$ (22,099)	\$ (22,908)	\$ (48,676)	\$ (62,806)
Foreign currency translation gain (loss)	(2,234)	4,315	(547)	4,698
Comprehensive loss	\$ (24,333)	\$ (18,593)	\$ (49,223)	\$ (58,108)

See accompanying notes to unaudited condensed consolidated financial statements.

**Table of Contents****Arena Pharmaceuticals, Inc.****Condensed Consolidated Cash Flow Statements****(In thousands)****(Unaudited)**

	<b>Six months ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>Operating Activities</b>		
Net loss	\$ (48,676)	\$ (62,806)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	4,724	5,136
Amortization of acquired technology and other intangibles	349	622
Share-based compensation	2,361	2,154
(Gain) Loss from valuation of derivative liabilities	19,145	(620)
Amortization of prepaid financing costs	224	333
Accretion of note payable to Deerfield	1,225	2,371
Accretion of note payable to Siegfried	0	252