

LEXICON PHARMACEUTICALS, INC./DE

Form 10-Q

November 06, 2014

Table of Contents

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, 2014

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

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.

Table of Contents

Lexicon Pharmaceuticals, Inc.

Table of Contents

	Page
<u>Factors Affecting Forward-Looking Statements</u>	<u>2</u>
<u>Part I – Financial Information</u>	<u>3</u>
Item 1. <u>Financial Statements</u>	<u>3</u>
<u>Consolidated Balance Sheets – September 30, 2014 (unaudited) and December 31, 2013</u>	<u>3</u>
<u>Consolidated Statements of Comprehensive Loss (unaudited) – Three and Nine Months Ended September 30, 2014 and 2013</u>	<u>4</u>
<u>Consolidated Statements of Stockholders’ Equity (unaudited) – Nine Months Ended September 30, 2014 and 2013</u>	<u>5</u>
<u>Consolidated Statements of Cash Flows (unaudited) – Nine Months Ended September 30, 2014 and 2013</u>	<u>6</u>
<u>Notes to Consolidated Financial Statements (unaudited)</u>	<u>7</u>
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>14</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>19</u>
Item 4. <u>Controls and Procedures</u>	<u>19</u>
<u>Part II – Other Information</u>	<u>20</u>
Item 1. <u>Legal Proceedings</u>	<u>20</u>
Item 1A. <u>Risk Factors</u>	<u>20</u>
Item 6. <u>Exhibits</u>	<u>22</u>
<u>Signatures</u>	<u>23</u>

The Lexicon name and logo are registered trademarks of Lexicon Pharmaceuticals, Inc.

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,” “show” or “will,” and the 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.

Table of Contents

Part I – Financial Information

Item 1. Financial Statements

Lexicon Pharmaceuticals, Inc.

Consolidated Balance Sheets
(In thousands, except par value)

	As of September 30, 2014 (unaudited)	As of December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$26,775	\$37,499
Short-term investments, including restricted investments of \$430	31,094	91,629
Accounts receivable, net of allowances of \$35	165	790
Assets held for sale	23,849	—
Prepaid expenses and other current assets	5,937	4,636
Total current assets	87,820	134,554
Property and equipment, net of accumulated depreciation and amortization of \$48,743 and \$81,945, respectively	1,494	41,362
Goodwill	44,543	44,543
Other intangible assets	53,557	53,557
Other assets	108	144
Total assets	\$187,522	\$274,160
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$9,741	\$9,715
Accrued liabilities	13,134	7,674
Current portion of deferred revenue	785	195
Current portion of long-term debt	20,609	1,710
Total current liabilities	44,269	19,294
Deferred revenue, net of current portion	12,679	13,405
Long-term debt	—	20,167
Deferred tax liabilities	18,745	18,745
Other long-term liabilities	34,005	32,386
Total liabilities	109,698	103,997
Commitments and contingencies		
Equity:		
Preferred stock, \$.01 par value; 5,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$.001 par value; 900,000 shares authorized; 516,116 and 514,349 shares issued, respectively	516	514
Additional paid-in capital	1,181,015	1,175,108
Accumulated deficit	(1,101,319)	(1,003,958)
Accumulated other comprehensive gain	2	2
Treasury stock, at cost, 1,281 and 814 shares, respectively	(2,390)	(1,503)
Total equity	77,824	170,163
Total liabilities and equity	\$187,522	\$274,160

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

3

Table of Contents

Lexicon Pharmaceuticals, Inc.

Consolidated Statements of Comprehensive Loss

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues:				
Collaborative research	\$312	\$238	\$1,111	\$733
Subscription and license fees	107	—	261	79
Total revenues	419	238	1,372	812
Operating expenses:				
Research and development, including stock-based compensation of \$797, \$1,027, \$3,195 and \$3,379, respectively	24,108	25,400	69,248	69,419
Increase (decrease) in fair value of Symphony Icon, Inc. purchase liability	(1,072) 1,338	518	3,079
General and administrative, including stock-based compensation of \$697, \$723, \$2,389 and \$2,349, respectively	4,617	4,716	15,423	13,709
Impairment loss on buildings	13,102	—	13,102	—
Total operating expenses	40,755			