

GENTA INC DE/
Form 10-Q
November 09, 2004

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, 2004

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 0-19635

GENTA INCORPORATED

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

33-0326866
(I.R.S. Employer
Identification Number)

Two Connell Drive
Berkeley Heights, NJ
(Address of principal executive
offices)

07922
(Zip Code)

(908) 286-9800
(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 is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934).

Yes

No

As of October 31, 2004, the registrant had 80,358,215 shares of common stock outstanding.

Genta Incorporated
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GENTA INCORPORATED
CONSOLIDATED BALANCE SHEETS

(In thousands, except par value data)

ASSETS	September 30, 2004	December 31, 2003
	(Unaudited)	
Current assets:		
Cash and cash equivalents	\$ 30,930	\$ 25,153
Marketable securities (Note 3)	5,773	57,776
Accounts receivable - net	4,951	16,675
Notes receivable	200	200
Inventory (Note 4)	1,016	518
Prepaid expenses and other current assets	784	3,313
	43,654	103,635
Total current assets	43,654	103,635
Property and equipment, net (Note 5)	3,382	4,917
Notes receivable (Note 10)		3,542
Intangibles, net (Note 6)	430	863
Prepaid royalties	1,268	1,268
Other assets	1,631	450
	\$ 50,365	\$ 114,675
Total assets	\$ 50,365	\$ 114,675
LIABILITIES AND STOCKHOLDERS DEFICIT/EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 18,073	\$ 15,319
Notes payable	279	748
Deferred revenues, current portion	5,273	5,287
Short term debt (Note 7)	19,001	
	42,626	21,354
Total current liabilities	42,626	21,354
Deferred revenues	32,154	36,067
Convertible debt (Note 8)	10,000	10,000
Long term debt (Note 7)		35,000
	84,780	102,421
Total liabilities	84,780	102,421
Commitments and contingencies (Note 11)		
Stockholders' (deficit)/equity:		
Series A convertible preferred stock, \$.001 par value; 5,000 shares authorized, 10 shares and 261 shares issued and outstanding, liquidation value of \$485 and \$13,025 at September 30, 2004 and December 31, 2003 respectively		
Common stock, \$.001 par value; 155,000 shares authorized, 80,358 and 75,927 shares issued and outstanding at September 30, 2004 and December 31, 2003, respectively	80	76
Additional paid-in capital	336,189	335,713
Deferred financing costs	(48)	
Accumulated deficit	(370,567)	(323,299)

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Deferred compensation	(52)	(261)
Accumulated other comprehensive (loss)/income	(17)	25
	<u> </u>	<u> </u>
Total stockholders' (deficit)/equity	(34,415)	12,254
	<u> </u>	<u> </u>
Total liabilities and stockholders' deficit/equity	\$ 50,365	\$ 114,675
	<u> </u>	<u> </u>

See accompanying notes to consolidated financial statements

GENTA INCORPORATED
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
(In thousands, except per share data)				
	(Unaudited)		(Unaudited)	
Revenues:				
Product sales - net	\$ 87	\$	\$ 711	\$
License fees and royalties	261	253	783	795
Development funding	1,049	1,043	3,145	3,130
Total revenues	1,397	1,296	4,639	3,925
Cost of goods sold	19		165	
Provision for excess inventory	693		693	
Total cost of goods sold	712		858	
Gross margin	685	1,296	3,781	3,925
Costs and expenses:				
Research and development (including non-cash compensation expense of \$53 and \$52 for the three months ended September 30, 2004 and 2003, respectively and \$158 and \$157 for the nine months ended September 30, 2004 and 2003, respectively)	20,643	21,061	61,940	54,733
Selling, general and administrative (including non-cash compensation expense of \$11 and \$22 for the three months ended September 30, 2004 and 2003, respectively and \$50 and \$205 for the nine months ended September 30, 2004 and 2003, respectively)	4,721	9,309	24,228	20,403
Total costs and expenses - gross	25,364	30,370	86,168	75,136
Aventis reimbursement	(20,489)	(11,760)	(36,453)	(40,350)
Total costs and expenses - net	4,875	18,610	49,715	34,786
Loss on disposition of property and equipment	(1,254)	(2)	(1,254)	(2)
Other (expense)/income	(136)	151	(79)	677
Net loss	\$ (5,580)	\$ (17,165)	\$ (47,267)	\$ (30,186)
Net loss per basic and diluted share	\$ (0.07)	\$ (0.23)	\$ (0.60)	\$ (0.40)
Shares used in computing net loss per basic and diluted share	80,358	75,409	78,758	74,699

See accompanying notes to consolidated financial statements

GENTA INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30,	
(In thousands)	2004	2003
	(Unaudited)	
Operating activities:		
Net loss	\$ (47,267)	\$ (30,186)
Items reflected in net loss not requiring cash:		
Depreciation and amortization	2,323	1,666
Loss on disposition of property and equipment	1,254	2
Non-cash reimbursement of research and development expense	(15,541)	
Provision for excess inventory	693	
Compensation expense related to stock options	208	362
Changes in operating assets and liabilities:		
Accounts receivable	10,558	(399)
Inventory	(1,191)	
Notes receivable	3,542	
Accounts payable, accrued expenses and other current liabilities	3,463	(21,270)
Deferred revenue	(3,928)	
Other assets	1,349	(425)
	(44,537)	(50,250)
Investing activities:		
Purchase of marketable securities	(7,281)	(48,400)
Maturities and sales of marketable securities	59,242	61,052
Purchase of property and equipment	(1,767)	(2,615)
Proceeds from disposition of property and equipment	157	
Payment to stockholders in conjunction with acquisition		(56)
	50,351	9,981
Financing activities:		
Borrowings under long-term debt		25,000
Borrowings under note payable	419	
Repayments of note payable	(888)	(490)
Purchase of treasury stock		(303)
Deferred financing costs	(48)	
Issuance of common stock upon exercise of warrants and options	480	2,397
	(37)	26,604
Increase/(decrease) in cash and cash equivalents	5,777	(13,665)
Cash and cash equivalents at beginning of period	25,153	32,700