

NEUROCRINE BIOSCIENCES INC

Form 10-Q

November 05, 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 0-22705

NEUROCRINE BIOSCIENCES, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	33-0525145 (IRS Employer Identification No.)
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12780 El Camino Real, San Diego, California (Address of principal executive office)	92130 (Zip Code)
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(858) 617-7600

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(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 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, a smaller reporting company or an emerging growth 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:

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

The number of outstanding shares of the registrant's common stock, par value \$0.001 per share, was 90,682,182 as of October 30, 2018.

NEUROCRINE BIOSCIENCES, INC.

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## PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS  
NEUROCRINE BIOSCIENCES, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share information)

(unaudited)

	September 30, 2018	December 31, 2017
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 195,734	\$ 254,712
Short-term investments, available for sale	439,609	261,217
Accounts receivable	54,097	31,127
Inventory	6,054	1,024
Other current assets	18,900	6,839
Total current assets	714,394	554,919
Property and equipment, net	28,618	10,811
Long-term investments, available for sale	185,257	247,361
Restricted cash	5,477	4,500
Total assets	\$ 933,746	\$ 817,591
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 72,022	\$ 53,520
Current portion of convertible senior notes	383,647	—
Other current liabilities	731	906
Total current liabilities	456,400	54,426
Deferred gain on sale of real estate	7,495	8,043
Deferred revenue	10,231	10,231
Deferred rent	12,107	3,135
Convertible senior notes	—	369,618
Total liabilities	486,233	445,453
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; 220,000,000 shares authorized; issued and		
outstanding shares were 90,673,214 as of September 30, 2018 and		
88,793,903 as of December 31, 2017	91	89
Additional paid-in capital	1,645,311	1,572,765

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Accumulated other comprehensive loss	(2,056 )	(1,850 )
Accumulated deficit	(1,195,833 )	(1,198,866)
Total stockholders' equity	447,513	372,138
Total liabilities and stockholders' equity	\$ 933,746	\$ 817,591

See accompanying notes to the condensed consolidated financial statements.

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## NEUROCRINE BIOSCIENCES, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

## AND COMPREHENSIVE INCOME (LOSS)

(in thousands, except per share data)

(unaudited)

	For the Three Months		For the Nine Months	
	Ended September 30, 2018	2017	Ended September 30, 2018	2017
<b>Revenues:</b>				
Product sales, net	\$ 111,291	\$45,774	\$279,282	\$52,109
Collaboration revenue	40,466	15,000	40,466	15,000
Total revenues	151,757	60,774	319,748	67,109
<b>Operating expenses:</b>				
Cost of sales	1,551	433	3,355	494
Research and development	35,482	22,463	121,417	96,213
Sales, general and administrative	60,401	43,873	179,952	113,597
Total operating expenses	97,434	66,769	304,724	210,304
Income (loss) from operations	54,323	(5,995 )	15,024	(143,195)
<b>Other (expense) income:</b>				
Interest expense	(7,672 )	(7,337 )	(22,767 )	(12,104 )
Investment income and other, net	4,113	2,207	10,776	5,863
Total other expense, net	(3,559 )	(5,130 )	(11,991 )	(6,241 )
Net income (loss)	\$50,764	\$(11,125)	\$3,033	\$(149,436)
<b>Net income (loss) per common share:</b>				
Basic	\$0.56	\$(0.13 )	\$0.03	\$(1.70 )
Diluted	\$0.52	\$(0.13 )	\$0.03	\$(1.70 )
<b>Shares used in the calculation of net income (loss) per common share:</b>				
Basic	90,555	88,325	90,064	87,894
Diluted	96,798	88,325	95,272	87,894
<b>Other comprehensive income (loss):</b>				
Net income (loss)	\$50,764	\$(11,125)	\$3,033	\$(149,436)
Net unrealized gain (loss) on available-for-sale securities	753	179	(206 )	(216 )
Comprehensive income (loss)	\$51,517	\$(10,946)	\$2,827	\$(149,652)

See accompanying notes to the condensed consolidated financial statements.

## NEUROCRINE BIOSCIENCES, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	For the Nine Months	
	Ended September 30, 2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$3,033	\$(149,436)
Reconciliation of net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,749	1,694
Amortization of debt discount	13,040	6,755
Amortization of debt issuance costs	989	526
Amortization of premiums on investments	1,436	1,202
Non-cash share-based compensation expense	44,800	29,070
Other	(482 )	(1,261 )
Change in operating assets and liabilities:		
Accounts receivable	(22,970)	(29,818 )
Inventory	(3,907	