

BIOMARIN PHARMACEUTICAL INC
Form 10-Q
October 31, 2017

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, 2017

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: 000-26727

BioMarin Pharmaceutical Inc.

(Exact name of registrant as specified in its charter)

Delaware 68-0397820
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

770 Lindero Street, San Rafael, California 94901
(Address of principal executive offices) (Zip Code)

(415) 506-6700

(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, 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

(Do not check if a smaller reporting company)

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

Applicable only to corporate issuers:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 175,621,277 shares of common stock, par value \$0.001, outstanding as of October 25, 2017.

BIOMARIN PHARMACEUTICAL INC.

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Unless the context suggests otherwise, references in this Quarterly Report on Form 10-Q to "BioMarin," the "Company," "we," "us," and "our" refer to BioMarin Pharmaceutical Inc. and, where appropriate, its wholly owned subsidiaries.

BioMarin®, Brineura®, Vimizim®, Naglazyme®, Kuvan® and Firdapse® are our registered trademarks. Kyndrisa™ is our trademark. Aldurazyme® is a registered trademark of BioMarin/Genzyme LLC. All other brand names and service marks, trademarks and other trade names appearing in this report are the property of their respective owners.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" as defined under securities laws. Many of these statements can be identified by the use of terminology such as "believes," "expects," "intends," "anticipates," "plans," "will," "projects," "continues," "estimates," "potential," "opportunity" or the negative versions of these terms and other similar expressions. Our actual results or experience could differ significantly from the forward-looking statements. Factors that could cause or contribute to these differences include those discussed in "Risk Factors," in Part II, Item 1A of this Quarterly Report on Form 10-Q as well as information provided elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2016, which was filed with the Securities and Exchange Commission (the SEC) on February 27, 2017. You should carefully consider that information before you make an investment decision.

You should not place undue reliance on these types of forward-looking statements, which speak only as of the date that they were made. These forward-looking statements are based on the beliefs and assumptions of the Company's management based on information currently available to management and should be considered in connection with any written or oral forward-looking statements that the Company may issue in the future as well as other cautionary statements the Company has made and may make. Except as required by law, the Company does not undertake any obligation to release publicly any revisions to these forward-looking statements after completion of the filing of this Quarterly Report on Form 10-Q to reflect later events or circumstances or the occurrence of unanticipated events.

The discussion of the Company's financial condition and results of operations should be read in conjunction with the Company's Condensed Consolidated Financial Statements and the related Notes thereto included in this Quarterly Report on Form 10-Q.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BIOMARIN PHARMACEUTICAL INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

September 30, 2017 and December 31, 2016

(In thousands of U.S. dollars, except share amounts)

	September 30, 2017	December 31, 2016(1)
ASSETS	(unaudited)	
Current assets:		
Cash and cash equivalents	\$ 431,399	\$ 408,330
Short-term investments	825,700	381,347
Accounts receivable, net	251,891	215,280
Inventory	457,393	355,126
Other current assets	83,646	61,708
Total current assets	2,050,029	1,421,791
Noncurrent assets:		
Long-term investments	416,304	572,711
Property, plant and equipment, net	878,624	798,768
Intangible assets, net	530,957	553,780
Goodwill	197,039	197,039
Deferred tax assets	484,759	446,786
Other assets	22,985	32,815
Total assets	\$ 4,580,697	\$ 4,023,690
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 364,920	\$ 370,505
Short-term convertible debt, net	—	22,478
Short-term contingent acquisition consideration payable	52,609	46,327
Total current liabilities	417,529	439,310
Noncurrent liabilities:		
Long-term convertible debt, net	1,166,036	660,761
Long-term contingent acquisition consideration payable	126,790	115,310
Other long-term liabilities	56,780	42,034
Total liabilities	1,767,135	1,257,415
Stockholders' equity:		
Common stock, \$0.001 par value: 500,000,000 shares authorized; 175,495,350 and	176	173
172,647,588 shares issued and outstanding as of September 30, 2017 and December		

31, 2016, respectively.		
Additional paid-in capital	4,435,449	4,288,113
Company common stock held by Nonqualified Deferred Compensation Plan (NQDC)	(14,473)	(14,321)
Accumulated other comprehensive income (loss)	(21,434)	12,816
Accumulated deficit	(1,586,156)	(1,520,506)
Total stockholders' equity	2,813,562	2,766,275
Total liabilities and stockholders' equity	\$ 4,580,697	\$ 4,023,690

(1) December 31, 2016 balances were derived from the audited Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016, filed with the SEC on February 27, 2017.

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

BIOMARIN PHARMACEUTICAL INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

Three and Nine Months Ended September 30, 2017 and 2016

(In thousands of U.S. dollars, except per share amounts)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
REVENUES:				
Net product revenues	\$298,752	\$278,262	\$916,868	\$812,195
Royalty and other revenues	35,396	1,634	38,473	4,568
Total revenues	334,148	279,896	955,341	816,763
OPERATING EXPENSES:				
Cost of sales	59,480	50,738	165,791	145,473
Research and development	154,103	160,831	442,145	486,663
Selling, general and administrative	130,532	118,758	394,056	333,635
Intangible asset amortization and contingent consideration	3,760	9,654	26,096	(34,318)
Impairment of intangible assets	—	—	—	599,118
Total operating expenses	347,875	339,981	1,028,088	1,530,571
LOSS FROM OPERATIONS	(13,727)	(60,085)	(72,747)	(713,808)
Equity in the loss of BioMarin/Genzyme LLC	(253)	(104)	(996)	(374)
Interest income	3,976	1,633	10,031	4,561
Interest expense	(10,884)	(9,980)	(31,043)	(29,767)
Other income, net	267	1,723	4,282	504
LOSS BEFORE INCOME TAXES	(20,621)	(66,813)	(90,473)	(738,884)
Benefit from income taxes	(8,094)	(29,388)	(24,823)	(199,394)
NET LOSS	\$(12,527)	\$(37,425)	\$(65,650)	\$(539,490)
NET LOSS PER SHARE, BASIC	\$(0.07)	\$(0.22)	\$(0.38)	\$(3.29)
NET LOSS PER SHARE, DILUTED	\$(0.07)	\$(0.22)	\$(0.38)	\$(3.30)
Weighted average common shares outstanding, basic	175,103	167,714	174,071	163,963
Weighted average common shares outstanding, diluted	175,103	167,714	174,071	164,216
COMPREHENSIVE LOSS	\$(19,303)	\$(39,795)	\$(99,900)	\$(558,365)

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

BIOMARIN PHARMACEUTICAL INC.

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

Nine Months Ended September 30, 2017

(In thousands of U.S. dollars)

(Unaudited)

	Common stock		Additional Paid-in Capital	Company Common Stock Held by NQDC	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount					
Balance at December 31, 2016	172,648	\$ 173	\$4,288,113	\$(14,321)	\$ 12,816	\$(1,520,506)	\$ 2,766,275
Net loss	—	—	—	—	—	(65,650)	(65,650)
Other comprehensive loss	—	—	—	—	(34,250)	—	(34,250)
Issuances under equity incentive plans, net of tax	1,648	2	7,550	—	—	—	7,552
Issuances of common stock under the Employee Stock Purchase Plan (the ESPP)	95	—	6,704	—	—	—	6,704
Conversion of convertible notes, net	1,104	1	22,476	—	—	—	22,477
Common stock held by NQDC	—	—	—	(152)	—	—	(152)
Stock-based compensation	—	—	110,606	—	—	—	110,606
Balance at September 30, 2017	175,495	\$ 176	\$4,435,449	\$(14,473)			