

LIGAND PHARMACEUTICALS INC

Form 10-Q

October 31, 2014

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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: 001-33093

LIGAND PHARMACEUTICALS INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

77-0160744

(I.R.S. Employer
Identification No.)

11119 North Torrey Pines Road, Suite 200

La Jolla, CA

(Address of principal executive offices)

(858) 550-7500

(Registrant's Telephone Number, Including Area Code)

92037

(Zip 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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one)

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer (Do not check if a smaller reporting company)

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes

No

As of October 31, 2014, the registrant had 20,023,148 shares of common stock outstanding.

Table of Contents

LIGAND PHARMACEUTICALS INCORPORATED
QUARTERLY REPORT

FORM 10-Q

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

<u>ITEM 1. Financial Statements</u>	<u>3</u>
<u>Condensed Consolidated Balance Sheets as of September 30, 2014 and December 31, 2013 (Unaudited)</u>	<u>3</u>
<u>Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2014 and 2013 (Unaudited)</u>	<u>4</u>
<u>Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2014 and 2013 (Unaudited)</u>	<u>5</u>
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2014 and 2013 (Unaudited)</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	<u>8</u>
<u>ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>30</u>
<u>ITEM 3. Quantitative and Qualitative Disclosures about Market Risk</u>	<u>39</u>
<u>ITEM 4. Controls and Procedures</u>	<u>40</u>

PART II. OTHER INFORMATION

<u>ITEM 1. Legal Proceedings</u>	<u>41</u>
<u>ITEM 1A. Risk Factors</u>	<u>42</u>
<u>ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>50</u>
<u>ITEM 3. Defaults Upon Senior Securities</u>	<u>50</u>
<u>ITEM 4. Mine Safety Disclosures</u>	<u>50</u>
<u>ITEM 5. Other Information</u>	<u>50</u>
<u>ITEM 6. Exhibits</u>	<u>50</u>
<u>SIGNATURE</u>	<u>51</u>

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LIGAND PHARMACEUTICALS INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in thousands, except share data)

	September 30, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 180,663	\$ 11,639
Short-term investments	5,925	4,340
Accounts receivable	5,812	2,222
Inventory	1,071	1,392
Capitalized expenses, VIE	2,131	—
Other current assets	1,602	959
Current debt issuance costs	793	—
Current co-promote termination payments receivable	523	4,329
Total current assets	198,520	24,881
Restricted cash and investments	1,261	1,341
Property and equipment, net	551	867
Intangible assets, net	51,317	53,099
Goodwill	12,238	12,238
Commercial license rights	4,568	4,571
Long-term co-promote termination payments receivable	—	7,417
Long-term debt issuance costs	3,598	—
Other assets	230	299
Total assets	\$ 272,283	\$ 104,713
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable (including \$2.2 million related to a VIE)	\$ 4,864	\$ 3,951
Accrued liabilities	4,311	5,337
Current contingent liabilities	4,184	1,712
Current deferred income taxes	1,574	1,574
Current note payable	337	9,109
Current co-promote termination liability	523	4,329
Current lease exit obligations	2,526	2,811
Current deferred revenue	114	116
Total current liabilities	18,433	28,939
Long-term co-promote termination liability	—	7,417
Long-term deferred revenue, net	2,085	2,085
Long-term lease exit obligations	1,133	3,071
Deferred income taxes	1,214	1,098
Long-term contingent liabilities	12,267	11,795
Long-term debt, net	193,631	—
Other long-term liabilities	737	695
Total liabilities	229,500	55,100
Commitments and Contingencies		
Stockholders' equity:		

Edgar Filing: LIGAND PHARMACEUTICALS INC - Form 10-Q

Common stock, \$0.001 par value; 33,333,333 shares authorized; 20,117,080 and 20,468,521 shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively	20	21
Additional paid-in capital	707,180	718,017
Accumulated other comprehensive income	3,543	2,914
Accumulated deficit	(666,371) (671,339)
Total stockholders' equity attributable to parent	44,372	49,613
Noncontrolling interests	(1,589) \$—
Total liabilities and stockholders' equity	\$272,283	\$104,713
See accompanying notes.		

3

Table of ContentsLIGAND PHARMACEUTICALS INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(in thousands, except share data)

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Revenues:				
Royalties	\$7,482	\$5,724	\$20,573	\$16,466
Material sales	6,334	6,728	15,525	12,260
Collaborative research and development and other revenues	1,157	553	5,441	5,511
Total revenues	14,973	13,005	41,539	34,237
Operating costs and expenses:				
Cost of sales	1,496	2,538	5,133	4,416
Research and development	3,021	2,414	8,842	6,900