

THERAVANCE INC  
Form 10-Q  
August 07, 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 June 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: 0-30319

# THERAVANCE, INC.

(Exact Name of Registrant as Specified in its Charter)

**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**94-3265960**  
(I.R.S. Employer  
Identification No.)

**951 Gateway Boulevard**

**South San Francisco, CA 94080**

(Address of Principal Executive Offices)

**(650) 238-9600**

(Registrant's Telephone Number, Including Area Code)

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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

The number of shares of registrant's common stock outstanding on July 31, 2014 was 115,014,166.



Table of Contents

**TABLE OF CONTENTS**

**PART I FINANCIAL INFORMATION**

Item 1. Financial Statements

Condensed Consolidated Balance Sheets as of June 30, 2014 and December 31, 2013 3

Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2014 and 2013 4

Condensed Consolidated Statements of Comprehensive Loss for the three and six months ended June 30, 2014 and 2013 5

Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2014 and 2013 6

Notes to Condensed Consolidated Financial Statements 7

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 24

Item 3. Quantitative and Qualitative Disclosures About Market Risk 36

Item 4. Controls and Procedures 37

**PART II. OTHER INFORMATION**

Item 1A. Risk Factors 38

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds 50

Item 3. Defaults Upon Senior Securities 50

Item 4. Mine Safety Disclosures 50

Item 5. Other Information 50

Item 6. Exhibits 51

Signatures 52

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****THERAVANCE, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands, except per share data)

	<b>June 30, 2014</b>		<b>December 31, 2013</b>
	<b>(Unaudited)</b>		<b>*</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 208,052	\$	143,510
Restricted cash	14,232		
Short-term investments	126,424		321,615
Accounts receivable, net of allowances of \$89 at December 31, 2013			199
Receivables from collaborative arrangements (including amounts from a related party of \$3,473 and \$2,247 at June 30, 2014 and December 31, 2013)	3,473		3,181
Prepaid expenses and other current assets	982		4,287
Inventories			10,406
Total current assets	353,163		483,198
Marketable securities	34,349		55,374
Restricted cash	833		833
Property and equipment, net			10,238
Intangible assets, net	194,880		124,257
Other assets	22,385		7,355
Total assets	\$ 605,610	\$	681,255
<b>Liabilities and stockholders equity (deficit)</b>			
Current liabilities:			
Accounts payable	\$ 1,799	\$	7,583
Payable to a related party	15,000		40,000
Payable to Theravance Biopharma, Inc.	15,243		
Accrued personnel-related expenses	1,023		10,881
Accrued clinical and development expenses			9,714
Accrued interest payable	11,013		2,800
Other accrued liabilities	4,834		4,137
Deferred revenue	1,082		9,289
Total current liabilities	49,994		84,404
Convertible subordinated notes	287,500		287,500
Non-recourse notes payable, due 2029	450,000		
Deferred rent	13		4,774
Other long-term liabilities	1,300		
Deferred revenue	4,329		5,455
Commitments and contingencies (Notes 3, 7 and 9)			

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Stockholders' equity (deficit):			
Common stock, \$0.01 par value; authorized: 200,000 shares; outstanding: 113,285 and 111,516 at June 30, 2014 and December 31, 2013		1,133	1,115
Additional paid-in capital		1,444,105	1,803,048
Accumulated other comprehensive income		3,706	162
Accumulated deficit		(1,636,470)	(1,505,203)
Total stockholders' equity (deficit)		(187,526)	299,122
Total liabilities and stockholders' equity (deficit)	\$	605,610	\$ 681,255

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\* Condensed consolidated balance sheet at December 31, 2013 has been derived from audited consolidated financial statements.

*See accompanying notes to condensed consolidated financial statements.*

Table of Contents**THERAVANCE, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited)

(In thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Royalty revenue from a related party, net of intangible assets amortization: three months 2014-\$2,598; 2013-\$0; six months 2014-\$4,378; 2013-\$0 (Note 3) (1)	\$ 663	\$	\$ (387)	\$
Net revenue from collaborative arrangements from a related party	271	1,322	541	2,644
Total net revenue	934	1,322	154	2,644
<b>Operating expenses:</b>				
Research and development	2,125	2,412	4,812	4,451
General and administrative	8,603	5,808	19,859	11,864
Total operating expenses	10,728	8,220	24,671	16,315
Loss from operations	(9,794)	(6,898)	(24,517)	(13,671)
Other income (expense), net	83	8,192	80	6,770
Interest income	165	190	353	375
Interest expense	(10,327)	(3,025)	(11,971)	(5,761)
Loss from continuing operations before income taxes	(19,873)	(1,541)	(36,055)	(12,287)
Income tax expense	(278)		(278)	
Loss from continuing operations, net of tax	(20,151)	(1,541)	(36,333)	(12,287)
Loss from discontinued operations (Notes 11 and 12):	(43,413)	(34,888)	(94,934)	(61,502)
Net loss	\$ (63,564)	\$ (36,429)	\$ (131,267)	\$ (73,789)
<b>Basic and diluted net loss per share:</b>				
Continuing operations, net of tax	\$ (0.18)	\$ (0.02)	\$ (0.33)	\$ (0.13)
Discontinued operations	(0.39)	(0.35)	(0.86)	(0.63)
Basic and diluted net loss per share	\$ (0.57)	\$ (0.37)	\$ (1.19)	\$ (0.76)
Shares used to compute basic and diluted net loss per share	110,974	97,603	110,419	96,964

(1) Gross royalty revenue from a related party for the three and six months ended June 30, 2014 is \$3,261 and \$3,991, respectively.

*See accompanying notes to condensed consolidated financial statements.*





Table of Contents

**THERAVANCE, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

(Unaudited)

(In thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net loss	\$ (63,564)	\$ (36,429)	\$ (131,267)	\$ (73,789)
Other comprehensive income (loss):				
Net unrealized gain (loss) on available-for-sale securities	3,535	(107)	3,544	(114)
Comprehensive loss	\$ (60,029)	\$ (36,536)	\$ (127,723)	\$ (73,903)

*See accompanying notes to condensed consolidated financial statements.*

Table of Contents**THERAVANCE, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

(Unaudited)

	<b>Six Months Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities</b>		
Net loss	\$ (131,267)	\$ (73,789)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	6,190	2,036
Stock-based compensation	21,281	13,257
Amortization on premium of short-term investments	1,412	1,854
Change in fair value of capped-call derivative assets		1,422
Other non-cash items	(2)	(3)
Changes in operating assets and liabilities:		
Account receivables	74	
Receivables from collaborative arrangements	(294)	(1,169)
Prepaid expenses and other current assets	(177)	357
Inventories	(1,908)	(2,533)
Other assets	(411)	
Accounts payable	(5,832)	1,026
Payable to Theravance Biopharma, Inc., net	(1,738)	
Accrued personnel-related expenses, accrued clinical and development expenses, and other accrued liabilities	1,874	2,941
Accrued interest payable	8,213	2,540
Deferred rent	183	(376)
Deferred revenue	(2,640)	4,120
Net cash used in operating activities	(105,042)	(48,317)