

GENOCEA BIOSCIENCES, INC.

Form 10-Q

November 06, 2014

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 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, 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: 001-36289

Genocea Biosciences, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

51-0596811

(IRS Employer
Identification No.)

100 Acorn Park Drive

Cambridge, Massachusetts

(Address of Principal Executive Offices)

02140

(Zip Code)

(617) 876-8191

(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** x **No** o

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). **Yes** x **No** o

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

Large accelerated filer o

Accelerated filer o

Non-accelerated filer x (Do not check if a smaller reporting company)

Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). **Yes** o **No** x

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As of November 3, 2014, there were 17,610,154 shares of the registrant's Common Stock, par value \$0.001 per share, outstanding.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that involve risks and uncertainties. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, our clinical results and other future conditions. The words anticipate, believe, contemplate, continue, could, estimate, expect, forecast, goal, intend, may, plan, potential, predict, project, should, and other similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

Any forward-looking statements in this Quarterly Report on Form 10-Q reflect our current views with respect to future events or to our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed in our Annual Report on Form 10-K and other filings with the Securities Exchange Commission (the SEC), including the following:

- the timing of results of our ongoing and planned clinical trials for GEN-003 and GEN-004;
- our estimates regarding the amount of funds we require to complete our current and future Phase 2 clinical trials for GEN-003 and our current Phase 2a trial for GEN-004;
- our estimate for when we will require additional funding;
- our plans to commercialize GEN-003 and our other vaccine candidates;
- the timing of, and our ability to, obtain and maintain regulatory approvals for our product candidates;
- the rate and degree of market acceptance and clinical utility of any approved product candidate;
- the potential benefits of strategic partnership agreements and our ability to enter into selective strategic partnership arrangements;

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- our ability to quickly and efficiently identify and develop product candidates;
- our commercialization, marketing and manufacturing capabilities and strategy;
- our intellectual property position; and
- our estimates regarding expenses, future revenues, capital requirements, the sufficiency of our current and expected cash resources and our need for additional financing.

Given these uncertainties, you should not place undue reliance on these forward-looking statements. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future.

Information in this Quarterly Report on Form 10-Q that is based on estimates, forecasts, projections, market research or similar methodologies is inherently subject to uncertainties and actual events or circumstances may differ materially from events and circumstances reflected in this information. Unless otherwise expressly stated, we obtained any industry, business, market or other data from reports, research surveys, studies and similar data prepared by market research firms and other third parties, industry, medical and general publications, government data and similar sources.

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Genocea Biosciences, Inc.

Form 10-Q

For the Quarter Ended September 30, 2014

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****Genocea Biosciences, Inc.****Condensed Balance Sheets****(unaudited)****(in thousands, except per share data)**

	September 30, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 25,145	\$ 12,208
Marketable securities	27,048	
Restricted cash		157
Prepaid expenses and other current assets	1,328	510
Total current assets	53,521	12,875
Property and equipment, net	1,874	865
Restricted cash	316	158
Other assets	88	1,863
Total assets	\$ 55,799	\$ 15,761
Liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable	\$ 1,522	\$ 2,176
Accrued expenses and other current liabilities	2,087	1,418
Deferred revenue	766	12
Current portion of long-term debt	3,376	861
Current portion of deferred rent	99	26
Total current liabilities	7,850	4,493
Non-current liabilities:		
Long-term debt, net of current portion	6,254	8,933
Accrued interest payable	70	11
Deferred rent, net of current portion	196	237
Warrant to purchase redeemable securities		656
Deferred revenue, net of current portion	448	
Other non-current liabilities	17	
Total liabilities	14,835	14,330
Commitments and contingencies (Note 6)		
Redeemable convertible preferred stock:		
Seed convertible preferred stock, \$0.001 par value;		
Authorized	0 and 4,615 shares at September 30, 2014 and December 31, 2013, respectively;	
Issued and outstanding	0 and 4,615 shares at September 30, 2014 and December 31, 2013, respectively; aggregate liquidation preference of \$0 and \$3,000 at September 30, 2014 and December 31, 2013, respectively	3,000
Series A redeemable convertible preferred stock, \$0.001 par value;		

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Authorized	0 and 36,662 shares at September 30, 2014 and December 31, 2013, respectively;		
Issued and outstanding	0 and 35,577 shares at September 30, 2014 and December 31, 2013, respectively; aggregate liquidation preference of \$0 and \$23,125 at September 30, 2014 and December 31, 2013, respectively		23,125
Series B redeemable convertible preferred stock, \$0.001 par value;			
Authorized	0 and 35,099 shares at September 30, 2014 and December 31, 2013, respectively;		
Issued and outstanding	0 and 34,581 shares at September 30, 2014 and December 31, 2013, respectively; aggregate liquidation preference of \$0 and \$24,937 at September 30, 2014 and December 31, 2013, respectively		24,937
Series C redeemable convertible preferred stock, \$0.001 par value;			
Authorized	0 and 53,276 shares at September 30, 2014 and December 31, 2013, respectively;		
Issued and outstanding	0 and 53,276 shares at September 30, 2014 and December 31, 2013, respectively; aggregate liquidation preference of \$0 and \$30,500 at September 30, 2014 and December 31, 2013, respectively		30,500
Stockholders' equity (deficit):			
Common stock, \$0.001 par value;			
Authorized	175,000 and 191,690 shares at September 30, 2014 and December 31, 2013, respectively; Issued		
	17,610 and 327 shares at September 30, 2014 and December 31, 2013, respectively; outstanding		
	17,591 and 303 at September 30, 2014 and December 31, 2013, respectively		18
Additional paid-in-capital		144,713	
Accumulated other comprehensive loss		10	
Accumulated deficit		(103,777)	(80,131)
Total stockholders' equity (deficit)		40,964	(80,131)
Total liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)	\$	55,799	\$ 15,761

See accompanying notes to unaudited financial statements.

Table of Contents**Genocea Biosciences, Inc.****Condensed Statements of Operations****(unaudited)****(in thousands, except per share data)**

	Three Months Ended, September 30,		Nine Months Ended, September 30,			
	2014	2013	2014	2013		
Grant revenue	\$	\$	224	\$	711	
Operating expenses:						
Research and development		6,115	3,275	15,073	11,354	
General and administrative		2,843	1,424	7,167	3,113	
Total operating expenses		8,958	4,699	22,240	14,467	
Loss from operations		(8,958)	(4,475)	(22,240)	(13,756)	
Other expense:						
Change in fair value of warrant			(60)	(725)	(166)	
Loss on debt extinguishment			(200)		(200)	
Interest expense, net		(213)	(104)	(681)	(338)	
Other expense		(213)	(364)	(1,406)	(704)	
Net loss	\$	(9,171)	\$	(4,839)	\$	(23,646)
Comprehensive loss	\$	(9,160)	\$	(4,839)	\$	(23,636)
Reconciliation of net loss to net loss applicable to common stockholders						
Net loss	\$	(9,171)	\$	(4,839)	\$	(23,646)
Accretion of redeemable convertible preferred stock to redemption value			(405)	(180)	(1,200)	
Net loss attributable to common stockholders	\$	(9,171)	\$	(5,244)	\$	(23,826)
Net loss per share attributable to common stockholders-basic and diluted	\$	(0.53)	\$	(17.72)	\$	(1.60)
Weighted-average number of common shares used in net loss per share attributable to common stockholders - basic and diluted		17,465		296		14,918
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See accompanying notes to unaudited financial statements.

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Genocea Biosciences, Inc.

Condensed Statements of Comprehensive Loss

(unaudited)

(in thousands)

	Three Months Ended, September 30,		Nine Months Ended, September 30,	
	2014	2013	2014	2013
Net loss	\$ (9,171)	\$ (4,839)	\$ (23,646)	\$ (14,460)
Other comprehensive income (loss):				
Unrealized gain on available-for-sale securities	11		10	
Comprehensive loss	\$ (9,160)	\$ (4,839)	\$ (23,636)	\$ (14,460)

See accompanying notes to unaudited financial statements.

Table of Contents**Genocea Biosciences, Inc.****Condensed Statements of Cash Flows****(unaudited)****(in thousands)**

	Nine Months Ended, September 30,	
	2014	2013
Operating activities		
Net loss	\$ (23,646)	\$ (14,460)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	298	231
Stock-based compensation	2,146	447
Net amortization of premium on investments	14	
Change in fair value of warrants liability	725	166
Gain on sale of equipment	(18)	
Non-cash interest expense	60	2
Loss on debt extinguishment		200
Changes in operating assets and liabilities:		
Restricted cash		97
Prepaid expenses and other current assets	(819)	(251)
Other long-term assets	766	(170)
Accounts payable	(671)	145
Deferred revenue	1,202	32
Accrued expenses	659	354
Deferred rent	32	(116)
Accrued interest payable	60	(146)
Net cash used in operating activities	(19,192)	(13,469)
Investing activities		
Purchases of property and equipment	(1,237)	(386)
Purchase of marketable securities	(27,053)	
Net cash used in investing activities	(28,290)	(386)
Financing activities		