

EXELIXIS INC
Form 424B3
October 30, 2008
Table of Contents

**Filed Pursuant to Rule 424(b)(3)
Registration No. 333-152166**

Prospectus Supplement No. 1

(to Prospectus dated October 20, 2008)

1,000,000 Shares
EXELIXIS, INC.
Common Stock

This prospectus supplement supplements the prospectus dated October 20, 2008 (the "Prospectus"), which forms a part of our Registration Statement on Form S-1 (Registration No. 333-152166). This prospectus supplement is being filed to update and supplement the information in the Prospectus with the information contained in our quarterly report on Form 10-Q for the quarterly period ended September 26, 2008, filed with the Securities and Exchange Commission on October 27, 2008 (the "Quarterly Report"). Accordingly, we have attached the Quarterly Report to this prospectus supplement.

The Prospectus and this prospectus supplement relate to the offer and sale of up to 1,000,000 shares of our common stock by the selling security holders listed on page 23 of the Prospectus, including their transferees, pledgees or donees or their respective successors, which includes shares of our common stock issuable upon the exercise of warrants issued pursuant to a facility agreement dated as of June 4, 2008 between us and the lenders identified therein. We will not receive any proceeds from any resale of the shares of common stock being offered by the Prospectus and this prospectus supplement.

This prospectus supplement should be read in conjunction with the Prospectus. This prospectus supplement updates and supplements the information in the Prospectus. If there is any inconsistency between the information in the Prospectus and this prospectus supplement, you should rely on the information in this prospectus supplement.

Our common stock is traded on The Nasdaq Global Select Market under the trading symbol EXEL. On October 29, 2008, the last reported sale price of our common stock was \$2.96 per share.

Investing in our securities involves a high degree of risk. You should review carefully the risks and uncertainties described under the heading Risk Factors beginning on page 3 of the Prospectus and beginning on page 24 of the attached Quarterly Report before you decide whether to invest in shares of our common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if the Prospectus or this prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus supplement is October 30, 2008

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 26, 2008

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: 0-30235

Exelixis, Inc.

(Exact name of registrant as specified in its charter)

Edgar Filing: EXELIXIS INC - Form 424B3

Delaware
(State or other jurisdiction of
incorporation or organization)

04-3257395
(I.R.S. Employer
Identification No.)

249 East Grand Ave.

P.O. Box 511

South San Francisco, CA 94083-0511

(Address of principal executive offices, including zip code)

(650) 837-7000

(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 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.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐
(Do not check if a smaller

Smaller reporting company ☐

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 17, 2008 there were 105,599,680 shares of the registrant's common stock outstanding.

Table of Contents

EXELIXIS, INC.

QUARTERLY REPORT ON FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 26, 2008

INDEX

Part I. Financial Information

Item 1.	Financial Statements	
	<u>Condensed Consolidated Balance Sheets - September 30, 2008 and December 31, 2007</u>	3
	<u>Condensed Consolidated Statements of Operations - Three Months and Nine Months Ended September 30, 2008 and 2007</u>	4
	<u>Condensed Consolidated Statements of Cash Flows - Nine Months Ended September 30, 2008 and 2007</u>	5
	<u>Notes to Condensed Consolidated Financial Statements</u>	6
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	11
Item 3.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	23
Item 4.	<u>Controls and Procedures</u>	23

Part II. Other Information

Item 1A.	<u>Risk Factors</u>	24
Item 6.	<u>Exhibits</u>	36

<u>SIGNATURES</u>	37
--------------------------	----

<u>EXHIBITS</u>	38
------------------------	----

Exhibit 31.1	
Exhibit 31.2	
Exhibit 32.1	

Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****EXELIXIS, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(in thousands)**

	September 30, 2008 (unaudited)	December 31, 2007 ⁽¹⁾
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 64,230	\$ 135,457
Marketable securities	26,159	105,153
Investments held by Symphony Evolution, Inc.	18,473	30,935
Other receivables	1,820	6,087
Prepaid expenses and other current assets	6,760	6,151
Total current assets	117,442	283,783
Restricted cash and investments	4,854	7,238
Long-term marketable securities	21,434	20,747
Property and equipment, net	38,683	34,664
Goodwill	63,684	63,684
Other assets	8,666	2,004
Total assets	\$ 254,763	\$ 412,120
LIABILITIES, NONCONTROLLING INTEREST AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	\$ 7,342	\$ 9,288
Accrued clinical trial liabilities	26,674	21,651
Other accrued expenses	4,827	7,594
Accrued compensation and benefits	17,828	14,480
Current portion of notes payable and bank obligations	16,945	15,767
Deferred revenue	45,266	64,105
Total current liabilities	118,882	132,885
Notes payable and bank obligations	21,433	20,747
Convertible loans	85,000	85,000
Other long-term liabilities	27,338	24,924
Deferred revenue	25,556	63,053
Total liabilities	278,211	326,609
Noncontrolling interest in Symphony Evolution, Inc.	3,510	13,430
Commitments		
Stockholders' equity (deficit):		
Common stock	106	105
Additional paid-in-capital	889,313	863,127

Edgar Filing: EXELIXIS INC - Form 424B3

Accumulated other comprehensive income	178	499
Accumulated deficit	(916,555)	(791,650)
Total stockholders' equity (deficit)	(26,958)	72,081
Total liabilities, noncontrolling interest and stockholders' equity (deficit)	\$ 254,763	\$ 412,120

- (1) The condensed consolidated balance sheet at December 31, 2007 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**EXELIXIS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(in thousands, except per share data)****(unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Revenues:				
Contract	\$ 16,665	\$ 17,496	\$ 52,047	\$ 49,040
License	13,267	9,329	36,240	35,180
Total revenues	29,932	26,825	88,287	84,220
Operating expenses:				
Research and development	65,670	58,643	200,512	165,159
General and administrative	8,867	10,757	27,786	33,151
Amortization of intangible assets		51		195
Total operating expenses	74,537	69,451	228,298	198,505
Loss from operations	(44,605)	(42,626)	(140,011)	(114,285)
Other income (expense):				
Interest income and other, net	1,090	2,908	5,072	9,786
Interest expense	(2,171)	(970)	(4,386)	(3,001)
Gain on sale of business	4,500	18,808	4,500	18,808
Total other income	3,419	20,746	5,186	25,593
Loss before noncontrolling interest in Symphony Evolution, Inc.	(41,186)	(21,880)	(134,825)	(88,692)
Loss attributed to noncontrolling interest in Symphony Evolution, Inc.	2,680	8,184	9,920	22,233
Net loss	\$ (38,506)	\$ (13,696)	\$ (124,905)	\$ (66,459)
Net loss per share, basic and diluted	\$ (0.36)	\$ (0.14)	\$ (1.19)	\$ (0.68)
Shares used in computing basic and diluted loss per share amounts	105,548	98,551	105,294	97,313

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**EXELIXIS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)****(unaudited)**

	Nine Months Ended September 30,	
	2008	2007
Cash flows from operating activities:		
Net loss	\$ (124,905)	\$ (66,459)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	9,822	7,988
Loss attributed to noncontrolling interest	(9,920)	(22,233)
Stock-based compensation expense	17,081	14,950
Amortization of intangibles		195
Gain on sale of business	(4,500)	(18,808)
Other	1,009	559
Changes in assets and liabilities:		
Other receivables	(233)	18,441
Prepaid expenses and other current assets	(609)	(3,673)
Other assets	(3,191)	(602)
Accounts payable and other accrued expenses	5,790	18,003
Other long-term liabilities	2,414	3,928
Deferred revenue	(56,336)	3,886
Net cash used in operating activities	(163,578)	(43,825)
Cash flows from investing activities:		
Purchases of investments held by Symphony Evolution, Inc.	(601)	(1,836)
Proceeds on sale of investments held by Symphony Evolution, Inc.	13,063	18,192
Purchases of property and equipment	(13,925)	(14,150)
Proceeds on sale of business	9,000	18,000
Changes in restricted cash and investments	2,384	1,557
Proceeds from maturities of marketable securities	51,172	141,187
Proceeds from sale of marketable securities	32,571	
Purchases of marketable securities	(5,619)	(173,091)
Net cash provided by (used in) investing activities	88,045	(10,141)
Cash flows from financing activities:		
Proceeds from sale of stock, net of offering costs		71,897
Proceeds from exercise of stock options and warrants	299	7,821
Proceeds from employee stock purchase plans	2,142	1,742
Proceeds from notes payable and bank obligations	13,619	
Principal payments on notes payable and bank obligations	(11,754)	(9,285)
Net cash provided by financing activities	4,306	72,175
Effect of foreign exchange rate changes on cash and cash equivalents		(252)

Edgar Filing: EXELIXIS INC - Form 424B3

Net (decrease) increase in cash and cash equivalents	(71,227)	17,957
Cash and cash equivalents, at beginning of period	135,457	123,369
Cash and cash equivalents, at end of period	&n	