

ACADIA PHARMACEUTICALS INC

Form 10-Q

May 07, 2013

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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 March 31, 2013

or

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number: 000-50768

ACADIA PHARMACEUTICALS INC.

(Exact Name of Registrant as Specified in Its Charter)

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Delaware
(State of Incorporation)

06-1376651
(I.R.S. Employer
Identification No.)

3911 Sorrento Valley Boulevard

San Diego, California
(Address of Principal Executive Offices)

92121
(Zip Code)

(858) 558-2871
(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 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 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 the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Securities Exchange Act of 1934.

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

Total shares of common stock outstanding as of the close of business on April 29, 2013:

Class	Number of Shares Outstanding
Common Stock, \$0.0001 par value	79,164,885

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
ACADIA PHARMACEUTICALS INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(in thousands, except for par value and share data)****(Unaudited)**

	March 31, 2013	December 31, 2012 (1)
Assets		
Cash and cash equivalents	\$ 18,436	\$ 57,899
Investment securities, available-for-sale	83,027	50,068
Prepaid expenses, receivables and other current assets	1,522	581
Total current assets	102,985	108,548
Property and equipment, net	30	42
Total assets	\$ 103,015	\$ 108,590
Liabilities, redeemable common stock and stockholders' equity		
Accounts payable	\$ 1,396	\$ 1,375
Accrued expenses	4,159	4,139
Deferred revenue	140	434
Total current liabilities	5,695	5,948
Commitments and contingencies (Note 8)		
Redeemable common stock, \$0.0001 par value; 5,347,137 shares issued and outstanding at March 31, 2013 and December 31, 2012 (Note 8)	17,658	17,658
Stockholders' equity		
Preferred stock, \$0.0001 par value; 5,000,000 shares authorized at March 31, 2013 and December 31, 2012; no shares issued and outstanding at March 31, 2013 and December 31, 2012		
Common stock, \$0.0001 par value; 150,000,000 shares authorized at March 31, 2013 and December 31, 2012; 73,455,860 shares and 73,334,216 shares issued and outstanding at March 31, 2013 and December 31, 2012, respectively	7	7
Additional paid-in capital	453,483	452,693
Accumulated deficit	(373,843)	(367,720)
Accumulated other comprehensive income	15	4
Total stockholders' equity	79,662	84,984
Total liabilities, redeemable common stock and stockholders' equity	\$ 103,015	\$ 108,590

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- (1) The condensed consolidated balance sheet at December 31, 2012 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

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

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

	Three Months Ended March 31,	
	2013	2012
Revenues		
Collaborative revenues	\$ 417	\$ 450
Operating expenses		
Research and development (includes stock-based compensation of \$254 and \$139, respectively)	4,430	5,021
General and administrative (includes stock-based compensation of \$328 and \$274, respectively)	2,151	1,660
Total operating expenses	6,581	6,681
Loss from operations	(6,164)	(6,231)
Interest income, net	41	13
Net loss	\$ (6,123)	\$ (6,218)
Net loss per common share, basic and diluted	\$ (0.08)	\$ (0.12)
Weighted average common shares outstanding, basic and diluted	78,748	52,903

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ACADIA PHARMACEUTICALS INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands)

(Unaudited)

	Three Months Ended March 31,	
	2013	2012
Net loss	\$ (6,123)	\$ (6,218)
Other comprehensive income (loss):		
Unrealized gain (loss) on investment securities	11	(3)
Comprehensive loss	\$ (6,112)	\$ (6,221)

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

Table of Contents**ACADIA PHARMACEUTICALS INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)****(Unaudited)**

	Three Months Ended March 31,	
	2013	2012
Cash flows from operating activities		
Net loss	\$ (6,123)	\$ (6,218)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	582	413
Amortization of investment premium	145	(79)
Other	5	21
Changes in operating assets and liabilities:		
Prepaid expenses, receivables and other current assets	(941)	438
Other assets		4
Accounts payable	21	(926)
Accrued expenses	20	1,189
Deferred revenue	(294)	(72)
Net cash used in operating activities	(6,585)	(5,230)
Cash flows from investing activities		
Purchases of investment securities	(54,867)	(4,050)
Maturities of investment securities	21,773	7,918
Proceeds from sales of property and equipment	8	9
Net cash (used in) provided by investing activities	(33,086)	3,877
Cash flows from financing activities		
Proceeds from issuance of common stock, net of issuance costs	208	31
Repayments of long-term debt		(9)
Net cash provided by financing activities	208	22
Net decrease in cash and cash equivalents	(39,463)	(1,331)
Cash and cash equivalents		
Beginning of period	57,899	6,889
End of period	\$ 18,436	\$ 5,558

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2013

(Unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of ACADIA Pharmaceuticals Inc. should be read in conjunction with the audited financial statements and notes thereto as of and for the year ended December 31, 2012 included in the Company's Annual Report on Form 10-K (Annual Report) filed with the Securities and Exchange Commission (the SEC). The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, since they are interim statements, the accompanying financial statements do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, the accompanying financial statements reflect all adjustments (consisting of normal recurring adjustments) that are necessary for a fair statement of the financial position, results of operations and cash flows for the interim periods presented. Interim results are not necessarily indicative of results for a full year. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

The Company has incurred substantial operating losses since its inception due in large part to expenditures for its research and development activities. As of March 31, 2013, the Company had an accumulated deficit of \$373.8 million. The Company expects to continue to incur operating losses for at least the next several years as it pursues the development and commercialization of its product candidates.

The Company will require significant additional financing in the future to fund its operations. Future capital requirements will depend on many factors, including the progress in, the outcome of and the costs of the Company's clinical trials and other development activities, costs associated with establishing necessary sales and marketing capabilities, the scope, prioritization and number of its research and development programs, and the ability of its collaborators and the Company to reach the milestones, and other events or developments under its collaboration and license agreements, and the ability of the Company to enter into new, and to maintain existing, collaboration and license agreements. Until the Company can generate significant continuing revenues, it expects to fund its operations through its existing cash, cash equivalents and investment securities, payments from existing and potential future collaborations, proceeds from private or public sales of its equity securities, debt financing, grant funding, or by licensing all or a portion of its product candidates or technology. The Company cannot be certain that additional funding will be available on acceptable terms, or at all. Conditions in the financial markets and other factors could have a material adverse effect on the Company's ability to access sufficient funding on acceptable terms, or at all. If the Company cannot raise adequate additional capital, it will be required to delay, further reduce the scope of, or eliminate one or more of its research or development programs or its commercialization efforts. In addition, the Company may be required to relinquish greater, or even all, rights to product candidates at earlier stages of development or on less favorable terms than it would otherwise choose.

2. Earnings (Loss) Per Share

Basic earnings (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period. For the three months ended March 31, 2013, the calculation of the weighted average number of common shares outstanding includes 5.3 million shares of redeemable common stock issued during 2012. Diluted earnings (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period, increased to include potential dilutive common shares that were outstanding during the period. The effect of outstanding stock options and warrants is reflected, when dilutive, in diluted earnings per common share by application of the treasury stock method. The Company has excluded all outstanding stock options and warrants from the calculation of diluted net loss per common share because all such securities are antidilutive for all periods presented.

Shares used in calculating basic and diluted net loss per common share exclude these potential common shares (in thousands):

**Three Months Ended
March 31,**

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	2013	2012
	(unaudited)	
Antidilutive options to purchase common stock	6,993	6,393
Antidilutive warrants to purchase common stock	3,725	4,692
	10,718	11,085

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The fair value of each stock option and each employee stock purchase plan right granted is estimated on the grant date under the fair value method using the Black-Scholes valuation model. The estimated fair values of the stock option or purchase plan rights, including the effect of estimated forfeitures, are then expensed over the vesting period. The Company recognized stock-based compensation expense of \$582,000 and \$413,000 during the three months ended March 31, 2013 and 2012, respectively. As of March 31, 2013, total unrecognized compensation cost related to stock options and purchase rights was approximately \$3.5 million, and the weighted average period over which this cost is expected to be recognized was 2.3 years.

4. Accrued Expenses

Accrued expenses consisted of the following (in thousands):

	March 31, 2013	December 31, 2012 (unaudited)
Accrued clinical and research services	\$ 3,040	\$ 3,216
Accrued compensation and benefits	723	413
Accrued professional fees	308	364
Other	88	146
Total	\$ 4,159	\$ 4,139

5. Investment Securities

Investment securities, including investment securities available-for-sale and investment securities classified as cash equivalents, consisted of the following (in thousands):

	March 31, 2013 (unaudited)			Estimated Fair Value
	Amortized Cost	Unrealized Gains	Unrealized (Losses)	
U.S. Treasury notes	\$ 5,014	\$	\$	\$ 5,014
Government sponsored enterprise securities	57,470	12	(3)	57,479
Commercial paper	13,079	15		13,094
Corporate debt securities	12,206		(13)	12,193
	\$ 87,769	\$ 27	\$ (16)	\$ 87,780

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