

HORIZON PHARMA, INC.
Form 10-Q
August 07, 2014
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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 001-35238

HORIZON PHARMA, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

27-2179987
(I.R.S. Employer
Identification No.)

520 Lake Cook Road, Suite 520

Deerfield, Illinois
(Address of principal executive offices)

60015
(Zip Code)

(224) 383-3000

(Registrant's telephone number, including area code)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

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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:

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

Number of shares of registrant's common stock, par value \$0.0001, outstanding as of August 5, 2014: 74,769,647.

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****HORIZON PHARMA, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(UNAUDITED)****(In thousands, except share data)**

	June 30, 2014	December 31, 2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 128,851	\$ 80,480
Restricted cash	738	738
Accounts receivable, net	51,792	15,958
Inventories, net	9,203	8,701
Prepaid expenses and other current assets	7,091	4,888
Total current assets	197,675	110,765
Property and equipment, net	4,031	3,780
Intangible assets, net	120,497	131,094
Other assets	6,161	6,957
TOTAL ASSETS	\$ 328,364	\$ 252,596
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Convertible debt, net	\$ 114,786	\$
Accounts payable	15,896	9,921
Accrued trade discounts and rebates	37,584	8,123
Accrued expenses	19,236	15,926
Accrued royalties - current portion	14,869	8,010
Deferred revenues - current portion	2,000	1,330
Total current liabilities	204,371	43,310
LONG-TERM LIABILITIES:		
Convertible debt, net of current		110,762
Derivative liability		109,410
Accrued royalties, net of current	30,759	24,982
Deferred revenues, net of current	9,297	9,686
Deferred tax liabilities, net	3,102	3,362
Other long term liabilities	165	166
Total long-term liabilities	43,323	258,368

COMMITMENTS AND CONTINGENCIES

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STOCKHOLDERS EQUITY:

Common stock, \$0.0001 par value; 200,000,000 shares authorized; 74,285,710 and 66,097,417 shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively	8	7
Additional paid-in capital	774,339	410,430
Accumulated other comprehensive loss	(2,542)	(2,403)
Accumulated deficit	(691,135)	(457,116)
Total stockholders' equity (deficit)	80,670	(49,082)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 328,364	\$ 252,596

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

Table of Contents**HORIZON PHARMA, INC.****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS****(UNAUDITED)****(In thousands, except share and per share data)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
REVENUES:				
Net sales	\$ 66,062	\$ 11,131	\$ 117,988	\$ 19,824
Cost of goods sold	24,810	2,394	32,429	6,163
Gross profit	41,252	8,737	85,559	13,661
OPERATING EXPENSES:				
Research and development	3,545	2,833	6,378	5,031
Sales and marketing	27,126	16,526	55,821	32,854
General and administrative	17,681	5,182	28,873	10,124
Total operating expenses	48,352	24,541	91,072	48,009
Operating loss	(7,100)	(15,804)	(5,513)	(34,348)
OTHER (EXPENSE) INCOME, NET:				
Interest expense, net	(4,207)	(3,442)	(8,414)	(7,045)
Foreign exchange (loss) gain	(284)	454	(322)	(451)
Loss on derivative fair value	(10,965)		(214,995)	
Other, net	(4,333)		(5,000)	
Total other expense, net	(19,789)	(2,988)	(228,731)	(7,496)
Loss before expense (benefit) for income taxes	(26,889)	(18,792)	(234,244)	(41,844)
EXPENSE (BENEFIT) FOR INCOME TAXES	880	(351)	(225)	(1,232)
NET LOSS	\$ (27,769)	\$ (18,441)	\$ (234,019)	\$ (40,612)
NET LOSS PER COMMON SHARE - Basic and diluted	\$ (0.38)	\$ (0.29)	\$ (3.34)	\$ (0.65)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - Basic and diluted	73,384,801	62,872,173	70,164,267	62,339,285
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX				
Foreign currency translation adjustments	(144)	402	(139)	(395)
Other comprehensive (loss) income	(144)	402	(139)	(395)
COMPREHENSIVE LOSS	\$ (27,913)	\$ (18,039)	\$ (234,158)	\$ (41,007)

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

Table of Contents**HORIZON PHARMA, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(UNAUDITED)****(In thousands)**

	Six Months Ended June 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (234,019)	\$ (40,612)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Change in estimate of VIMOVO royalties	13,033	
Depreciation and intangible amortization expense	10,836	3,855
Stock-based compensation	6,087	2,100
Royalty accretion	2,953	
Loss on derivative revaluation	214,995	
Amortization of debt discount and deferred financing costs	4,666	1,829
Paid in kind interest expense		1,525
Foreign exchange loss	322	451
Changes in operating assets and liabilities:		
Accounts receivable	(35,835)	(3,880)
Inventories	(510)	(559)
Prepaid expenses and other current assets	(2,211)	(58)
Accounts payable	5,980	(348)
Accounts trade discounts and rebates	29,469	4,181
Accrued expenses	(27)	(386)
Deferred revenues	362	(774)
Deferred tax liabilities	(232)	(1,203)
Other non-current assets and liabilities	135	