

Ardea Biosciences, Inc./DE  
Form 10-Q  
November 04, 2011  
Table of Contents

**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, 2011

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: 1-33734

**ARDEA BIOSCIENCES, INC.**

(Exact name of registrant as specified in its charter)

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<b>Delaware</b> (State or other jurisdiction of incorporation or organization)	<b>94-3200380</b> (I.R.S. Employer Identification No.)
<b>4939 Directors Place</b>  <b>San Diego, CA</b> (Address of principal executive offices)	<b>92121</b> (Zip Code)
<b>Registrant's telephone number, including area code: (858) 652-6500</b>	

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 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 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 the registrant's common stock, par value \$0.001 per share, outstanding as of October 28, 2011 was 26,862,050.

**Table of Contents**

**ARDEA BIOSCIENCES, INC.**

**FORM 10-Q**

**FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2011**

**TABLE OF CONTENTS**

**PART I. FINANCIAL INFORMATION**

ITEM 1.	<u>Condensed Consolidated Financial Statements – Unaudited</u>	
	<u>Condensed Consolidated Balance Sheets as of September 30, 2011 and December 31, 2010</u>	1
	<u>Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2011 and 2010</u>	2
	<u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2011 and 2010</u>	3
	<u>Notes to Condensed Consolidated Financial Statements</u>	4
ITEM 2.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	12
ITEM 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	21
ITEM 4.	<u>Controls and Procedures</u>	22

**PART II. OTHER INFORMATION**

ITEM 1A.	<u>Risk Factors</u>	22
ITEM 6.	<u>Exhibits</u>	39

<b><u>SIGNATURES</u></b>	41
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**Table of Contents****PART I. FINANCIAL INFORMATION****ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED  
ARDEA BIOSCIENCES, INC.****Condensed Consolidated Balance Sheets**

(in thousands)

	September 30, 2011 (Unaudited)	December 31, 2010 (See Note)
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 18,230	\$ 15,926
Short-term investments, available-for-sale	104,502	64,686
Receivables	1,918	16,959
Prepays and other current assets	2,260	518
<b>Total current assets</b>	<b>126,910</b>	<b>98,089</b>
Property and equipment, net	2,562	2,007
Other assets	323	358
<b>Total assets</b>	<b>\$ 129,795</b>	<b>\$ 100,454</b>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
Current liabilities:		
Accounts payable	\$ 2,222	\$ 3,073
Accrued clinical liabilities	7,502	5,681
Accrued payroll and employee liabilities	3,135	2,802
Other accrued liabilities	2,839	1,550
Current portion of deferred revenue	3,229	4,306
Current portion of long-term debt	899	3,310
<b>Total current liabilities</b>	<b>19,826</b>	<b>20,722</b>
Deferred rent	214	205
Non-current portion of deferred revenue		2,153
Non-current portion of long-term debt	205	251
Commitments and contingencies (see Note 5)		
Stockholders' equity:		
Common stock	27	23
Additional paid-in capital	554,491	466,110
Accumulated other comprehensive income (loss)	(32)	31
Accumulated deficit	(444,936)	(389,041)
<b>Total stockholders' equity</b>	<b>109,550</b>	<b>77,123</b>

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Total liabilities and stockholders' equity	\$ 129,795	\$ 100,454
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Note: The condensed consolidated balance sheet at December 31, 2010 has been derived from the audited financial statements as of that date, but does not include all of the information and disclosures required by accounting principles generally accepted in the U.S.

See accompanying notes.

**Table of Contents****ARDEA BIOSCIENCES, INC.****Condensed Consolidated Statements of Operations**

(Unaudited)

(in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
<b>Revenues:</b>				
License fees	\$ 1,076	\$ 2,171	\$ 3,229	\$ 7,024
Sponsored research	96		319	
Reimbursable research and development costs	518	1,123	2,088	3,064
<b>Total revenues</b>	<b>1,690</b>	<b>3,294</b>	<b>5,636</b>	<b>10,088</b>
<b>Operating expenses:</b>				
Research and development	19,293	14,687	47,534	37,822
General and administrative	4,907	6,669	13,926	12,915
<b>Total operating expenses</b>	<b>24,200</b>	<b>21,356</b>	<b>61,460</b>	<b>50,737</b>
Loss from operations	(22,510)	(18,062)	(55,824)	(40,649)
<b>Other income (expense):</b>				
Interest income	95	100	300	281
Interest expense	(60)	(204)	(292)	(693)
Other income, net		1	9	26
<b>Total other income (expense)</b>	<b>35</b>	<b>(103)</b>	<b>17</b>	<b>(386)</b>
Net loss	\$ (22,475)	\$ (18,165)	\$ (55,807)	\$ (41,035)
Basic and diluted net loss per share	\$ (0.84)	\$ (0.79)	\$ (2.11)	\$ (1.92)
Shares used in computing basic and diluted net loss per share	26,805	22,902	26,432	21,355

See accompanying notes.

**Table of Contents****ARDEA BIOSCIENCES, INC.****Condensed Consolidated Statements of Cash Flows**

(Unaudited)

(in thousands)

	Nine Months Ended September 30,	
	2011	2010
<b>Operating activities:</b>		
Net loss	\$ (55,807)	\$ (41,035)
Adjustments to reconcile net loss to net cash (used for) provided by operating activities:		
Share-based compensation	7,791	8,954
Depreciation and amortization	524	430
Amortization of debt discount and debt issuance costs	91	228
Deferred rent	9	36
Amortization of premium on short-term investments, net	710	638
Realized gain on short-term investments	(15)	(23)
Change in operating assets and liabilities:		
Receivables	15,041	(1,359)
Prepays and other assets	(1,762)	(465)
Accounts payable	(851)	96
Accrued clinical liabilities	1,821	292
Accrued payroll and employee liabilities	333	564
Other accrued liabilities	1,289	18
Deferred revenue	(3,230)	(7,025)
Net cash used for operating activities	(34,056)	(38,651)
<b>Investing activities:</b>		
Purchases of short-term investments	(190,808)	(104,131)
Proceeds from sale or maturity of short-term investments	150,234	59,538
Proceeds from sale of property and equipment	12	25
Purchases of property and equipment	(1,091)	(492)
Net cash used for investing activities	(41,653)	(45,060)
<b>Financing activities:</b>		
Payments on long-term debt	(2,493)	(2,218)
Net proceeds from issuance of common stock	80,506	80,482
Net cash provided by financing activities	78,013	78,264
Net increase (decrease) in cash and cash equivalents	2,304	(5,447)
Cash and cash equivalents at beginning of period	15,926	11,562
Cash and cash equivalents at end of period	\$ 18,230	\$ 6,115
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	\$ 224	\$ 487

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Supplemental schedule of non-cash information:

Capital lease obligation incurred for property and equipment	\$	\$	144
Net unrealized gain (loss) on short-term investments	\$	(63)	\$ 24

See accompanying notes.



**Table of Contents**

**ARDEA BIOSCIENCES, INC.**

**Notes to Condensed Consolidated Financial Statements**

(Unaudited)

**1. Basis of Presentation**

The accompanying unaudited condensed consolid