

SPECTRUM PHARMACEUTICALS INC
Form 10-Q
May 06, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2016

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: 001-35006

SPECTRUM PHARMACEUTICALS, INC.
(Exact name of registrant as specified in its charter)

Delaware 93-0979187
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

11500 South Eastern Avenue, Suite 240 89052
Henderson, Nevada
(Address of principal executive offices) (Zip Code)
(702) 835-6300
(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 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 Exchange Act. (Check one):

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

As of April 29, 2016, 69,220,610 shares of the registrant’s common stock were outstanding.

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 FOR THE THREE MONTHS ENDED MARCH 31, 2016
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PART I: FINANCIAL INFORMATION

ITEM 1: CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SPECTRUM PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and par value amounts)

(Unaudited)

	March 31, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 132,306	\$ 139,741
Marketable securities	246	245
Accounts receivable, net of allowance for doubtful accounts of \$15 and \$120, respectively	19,248	30,384
Other receivables	15,175	12,572
Inventories	3,155	4,176
Prepaid expenses and other assets	2,352	3,507
Total current assets	172,482	190,625
Property and equipment, net of accumulated depreciation	810	918
Intangible assets, net of accumulated amortization and impairment charges	184,753	190,335
Goodwill	18,044	17,960
Other assets	25,304	19,211
Total assets	\$ 401,393	\$ 419,049
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 47,503	\$ 56,539
Accrued payroll and benefits	4,555	8,188
Deferred revenue	1,312	6,130
Drug development liability	156	259
Acquisition-related contingent obligations	6,000	5,227
Total current liabilities	59,526	76,343
Drug development liability, less current portion	14,354	14,427
Deferred revenue, less current portion	1,596	383
Acquisition-related contingent obligations, less current portion	1,708	1,439
Deferred tax liability	6,849	6,779
Other long-term liabilities	8,109	7,444
Convertible senior notes	100,933	99,377
Total liabilities	193,075	206,192
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized:	—	—
Series B junior participating preferred stock, \$0.001 par value; 1,500,000 shares authorized; no shares issued and outstanding	—	—
Series E Convertible Voting Preferred Stock, \$0.001 par value and \$10,000 stated value; 2,000 shares authorized; 20 shares issued and outstanding at March 31, 2016 and December 31, 2015, respectively (convertible into 40,000 shares of common stock, with aggregate liquidation value of \$240)	123	123
Common stock, \$0.001 par value; 175,000,000 shares authorized; 68,942,042 and 68,228,935 shares issued and outstanding at March 31, 2016 and December 31, 2015, respectively	68	68

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Additional paid-in capital	555,056	552,108
Accumulated other comprehensive loss	(3,485)	(5,319)
Accumulated deficit	(343,444)	(334,123)
Total stockholders' equity	208,318	212,857
Total liabilities and stockholders' equity	\$401,393	\$ 419,049

See accompanying notes to these unaudited condensed consolidated financial statements.

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SPECTRUM PHARMACEUTICALS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (In thousands, except share and per share amounts)
 (Unaudited)

	Three Months Ended March 31,	
	2016	2015
Revenues:		
Product sales, net	\$35,241	\$38,413
License fees and service revenue	8,625	205
Total revenues	\$43,866	\$38,618
Operating costs and expenses:		
Cost of product sales (excludes amortization and impairment charges of intangible assets)	5,604	7,071
Cost of service revenue	1,282	—
Selling, general and administrative	21,962	23,335
Research and development	15,462	15,851
Amortization and impairment charges of intangible assets	5,839	14,022
Total operating costs and expenses	50,149	60,279
Loss from operations	(6,283)	(21,661)
Other (expense) income:		
Interest expense, net	(2,340)	(2,228)
Change in fair value of contingent consideration related to acquisitions	(1,042)	(500)
Other income (expense), net	278	(1,035)
Total other expenses	(3,104)	(3,763)
Loss before income taxes	(9,387)	(25,424)
Benefit (provision) for income taxes	66	(138)
Net loss	\$(9,321)	\$(25,562)
Net loss per share:		
Basic and diluted	\$(0.14)	\$(0.39)
Weighted average shares outstanding:		