

ACADIA PHARMACEUTICALS INC

Form 10-Q

November 09, 2010

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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 September 30, 2010

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 ☐ Smaller reporting company ☐

(Do not check if a 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 October 29, 2010:

Class
Common Stock, \$0.0001 par value

Number of Shares Outstanding
39,299,302

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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)**

	September 30, 2010	December 31, 2009(1)
Assets		
Cash and cash equivalents	\$ 9,656	\$ 18,122
Investment securities, available-for-sale	22,570	28,938
Accounts receivable	1,934	507
Prepaid expenses and other current assets	832	906
Total current assets	34,992	48,473
Property and equipment, net	622	1,062
Other assets	136	145
Total assets	\$ 35,750	\$ 49,680
Liabilities and Stockholders' Equity (Deficit)		
Accounts payable	\$ 2,617	\$ 2,947
Accrued expenses	3,760	5,358
Current portion of deferred revenue	6,680	6,037
Current portion of long-term debt	111	365
Total current liabilities	13,168	14,707
Long-term portion of deferred revenue	22,602	22,579
Long-term debt, less current portion	41	98
Other long-term liabilities	113	182
Total liabilities	35,924	37,566
Stockholders' equity (deficit)		
Preferred stock, \$0.0001 par value; 5,000,000 shares authorized at September 30, 2010 and December 31, 2009; no shares issued and outstanding at September 30, 2010 and December 31, 2009		
Common stock, \$0.0001 par value; 75,000,000 shares authorized at September 30, 2010 and December 31, 2009; 38,826,312 shares and 38,332,119 shares issued and outstanding at September 30, 2010 and December 31, 2009, respectively	4	4
Additional paid-in capital	352,541	350,872
Accumulated deficit	(353,247)	(339,245)
Accumulated other comprehensive income	528	483

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Total stockholders' equity (deficit)	(174)	12,114
Total liabilities and stockholders' equity (deficit)	\$ 35,750	\$ 49,680

- (1) The condensed consolidated balance sheet at December 31, 2009 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 September 30, 2010		Nine Months Ended September 30, 2009	
Revenues				
Collaborative revenues	\$ 2,301	\$ 2,435	\$ 6,731	\$ 4,630
Operating expenses				
Research and development (includes stock-based compensation of \$133, \$280, \$512, and \$784, respectively)	4,965	9,215	15,822	33,749
General and administrative (includes stock-based compensation of \$260, \$331, \$735, and \$1,018, respectively)	1,578	1,994	4,944	7,643
Total operating expenses	6,543	11,209	20,766	41,392
Loss from operations	(4,242)	(8,774)	(14,035)	(36,762)
Interest income, net	15	46	33	306
Net loss	\$ (4,227)	\$ (8,728)	\$ (14,002)	\$ (36,456)
Net loss per common share, basic and diluted	\$ (0.11)	\$ (0.23)	\$ (0.37)	\$ (0.98)
Weighted average common shares outstanding, basic and diluted	38,383	37,383	38,355	37,262

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

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

	Nine Months Ended September 30,	
	2010	2009
Cash flows from operating activities		
Net loss	\$ (14,002)	\$ (36,456)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	413	667
Stock-based compensation	1,247	1,802
Other	(296)	170
Changes in operating assets and liabilities:		
Accounts receivable	(1,423)	(325)
Prepaid expenses and other current assets	94	865
Other assets	9	18
Accounts payable	(353)	252
Accrued expenses	(1,593)	(1,315)
Deferred revenue	666	29,374
Other long-term liabilities	(69)	(6)
Net cash used in operating activities	(15,307)	(4,954)
Cash flows from investing activities		
Purchases of investment securities	(36,464)	(39,222)
Maturities of investment securities	43,037	40,162
Proceeds from sales (purchases) of property and equipment	128	(24)
Net cash provided by investing activities	6,701	916
Cash flows from financing activities		
Proceeds from issuance of common stock	422	705
Repayments of long-term debt	(311)	(621)
Net cash provided by financing activities	111	84
Effect of exchange rate changes on cash	29	105
Net decrease in cash and cash equivalents	(8,466)	(3,849)
Cash and cash equivalents		
Beginning of period	18,122	21,171
End of period	\$ 9,656	\$ 17,322
Supplemental schedule of noncash investing and financing activities		
Unrealized gain (loss) on investment securities	\$ 2	\$ (216)

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2010

(Unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of ACADIA Pharmaceuticals Inc. (together with its wholly owned subsidiaries, the Company) should be read in conjunction with the audited financial statements and notes thereto as of and for the year ended December 31, 2009 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 not been profitable and has incurred substantial operating losses since its inception due in large part to expenditures for its research and development activities. At September 30, 2010, the Company had an accumulated deficit of \$353.2 million. The Company expects its operating losses to continue for at least the next several years as it pursues the development 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, 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 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 securities, debt financing, or by licensing all or a portion of its product candidates or technology. The Company cannot be certain that 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 pursuant to its Committed Equity Financing Facility (CEFF) or from other sources 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. 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. 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, when dilutive, is reflected in diluted earnings (loss) 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):

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	Three Months Ended September 30, 2010 2009 (unaudited)		Nine Months Ended September 30, 2010 2009 (unaudited)	
Antidilutive options to purchase common stock	4,530	3,756	4,160	3,699
Antidilutive warrants to purchase common stock	294	1,678	954	1,711
	4,824	5,434	5,114	5,410

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3. Stock-Based Compensation

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 \$393,000 and \$1.2 million during the three and nine months ended September 30, 2010, respectively, and \$611,000 and \$1.8 million during the three and nine months ended September, 2009, respectively. At September 30, 2010, total unrecognized compensation cost related to stock options and purchase plan rights was \$2.1 million, which is expected to be recognized over a weighted-average period of 2.4 years.

4. Comprehensive Loss

Comprehensive loss consisted of the following (in thousands):

	Three Months Ended	Nine Months Ended
	September 30,	September 30,
	2010	2009 2010