

PACIFIC BIOSCIENCES OF CALIFORNIA, INC.

Form 10-Q

August 09, 2013

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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, 2013

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 001-34899

Pacific Biosciences of California, Inc.

(Exact name of registrant as specified in its charter)

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Delaware (State or other jurisdiction of incorporation or organization)	16-1590339 (I.R.S. Employer Identification No.)
1380 Willow Road Menlo Park, CA 94025 (Address of principal executive offices)	94025 (Zip Code)
(650) 521-8000 (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 (§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. (Check one):

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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 outstanding of the issuer's common stock as of July 31, 2013: 65,250,352

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****PACIFIC BIOSCIENCES OF CALIFORNIA, INC.****Condensed Consolidated Balance Sheets****(Unaudited)**

(in thousands except par value amounts)	June 30, 2013	December 31, 2012
Assets		
Current assets		
Cash and cash equivalents	\$ 40,833	\$ 46,540
Investments	66,135	54,040
Accounts receivable	4,104	2,822
Inventory, net	10,283	9,592
Prepaid expenses and other current assets	759	2,006
Total current assets	122,114	115,000
Property and equipment, net	11,655	14,329
Other long-term assets	508	354
Total assets	\$ 134,277	\$ 129,683
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 2,605	\$ 2,988
Accrued expenses and other current liabilities	8,950	8,204
Deferred revenue, current	3,347	3,378
Facility financing obligation, current	191	173
Total current liabilities	15,093	14,743
Deferred revenue, non-current	734	800
Deferred rent and other long-term liabilities	1,638	2,145
Notes payable	13,007	
Financing derivative	894	
Facility financing obligation, non-current	2,513	2,613
Total liabilities	33,879	20,301
Stockholders' equity		
Convertible Preferred Stock, \$0.001 par value: Authorized 50,000 shares; No shares issued or outstanding		
Common Stock and additional paid-in-capital, \$0.001 par value: Authorized 1,000,000 shares; Issued and outstanding 65,242 shares at June 30, 2013 and 56,170 shares at December 31, 2012	677,995	645,372
Accumulated other comprehensive income	(2)	30
Accumulated deficit	(577,595)	(536,020)
Total stockholders' equity	100,398	109,382
Total liabilities and stockholders' equity	\$ 134,277	\$ 129,683

See accompanying notes to the condensed consolidated financial statements.

Table of Contents**PACIFIC BIOSCIENCES OF CALIFORNIA, INC.****Condensed Consolidated Statements of Operations and Comprehensive Loss****(Unaudited)**

(in thousands, except per share amounts)	Three-Month Periods Ended		Six-Month Periods Ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Revenue:				
Product revenue	\$ 4,601	\$ 5,827	\$ 8,434	\$ 14,542
Service and other revenue	1,447	1,284	2,922	2,337
Grant revenue		180	270	450
Total revenue	6,048	7,291	11,626	17,329
Cost of Revenue:				
Cost of product revenue	3,322	5,382	6,522	13,989
Cost of service and other revenue	1,667	1,634	3,115	3,217
Total cost of revenue	4,989	7,016	9,637	17,206
Gross profit	1,059	275	1,989	123
Operating Expense:				
Research and development	11,682	11,272	23,665	23,345
Sales, general and administrative	9,374	11,558	18,928	26,843
Total operating expense	21,056	22,830	42,593	50,188
Operating loss	(19,997)	(22,555)	(40,604)	(50,065)
Interest expense	(673)	(69)	(1,098)	(139)
Other income, net	199	137	127	137
Net loss	(20,471)	(22,487)	(41,575)	(50,067)
Other comprehensive income (loss):				
Unrealized gain (loss) on investments	(13)	(60)	(32)	18
Comprehensive loss	\$ (20,484)	\$ (22,547)	\$ (41,607)	\$ (50,049)
Net loss per share:				
Basic and diluted net loss per share	\$ (0.33)	\$ (0.40)	\$ (0.70)	\$ (0.90)
Shares used in computing basic and diluted net loss per share	61,922	55,658	59,660	55,433

See accompanying notes to the condensed consolidated financial statements.

Table of Contents**PACIFIC BIOSCIENCES OF CALIFORNIA, INC.****Condensed Consolidated Statements of Cash Flows****(Unaudited)**

(in thousands)	Six-Month Periods Ended	
	June 30,	
	2013	2012
Cash flows from operating activities		
Net loss	\$ (41,575)	\$ (50,067)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	2,897	3,353
Amortization of debt discount and financing costs	248	
Stock-based compensation	5,190	4,770
Other items	(73)	53
Changes in assets and liabilities		
Accounts receivable	(1,282)	1,186
Inventory	(293)	4,082
Prepaid expenses and other assets	1,229	800
Accounts payable	(384)	(681)
Accrued expenses and other current liabilities	746	(3,719)
Deferred revenue	(97)	(204)
Lease incentives and other long-term liabilities	(588)	(523)
Net cash used in operating activities	(33,982)	(40,950)
Cash flows from investing activities		
Purchases of property and equipment	(577)	(781)
Purchases of investments	(111,524)	(54,359)
Sales of investments		4,856
Maturities of investments	99,373	63,972
Net cash provided by (used in) investing activities	(12,728)	13,688
Cash flows from financing activities		
Proceeds from issuance of common stock, net of issuance costs	21,237	2,020
Proceeds from issuance of debt facility, net of issuance costs	19,766	