

LIGAND PHARMACEUTICALS INC
Form 10-Q
August 08, 2018
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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 June 30, 2018
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: 001-33093

LIGAND PHARMACEUTICALS INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	77-0160744 (I.R.S. Employer Identification No.)
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3911 Sorrento Valley Boulevard, Suite 110 San Diego, CA (Address of principal executive offices) (858) 550-7500 (Registrant's Telephone Number, Including Area Code)	92121 (Zip Code)
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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, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth 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
Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 August 7, 2018, the registrant had 21,103,841 shares of common stock outstanding.

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LIGAND PHARMACEUTICALS INCORPORATED
QUARTERLY REPORT

FORM 10-Q

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GLOSSARY OF TERMS AND ABBREVIATIONS

Abbreviation Definition

2019 Notes	\$245.0 million aggregate principal amount of convertible senior unsecured notes due 2019
2023 Notes	\$750.0 million aggregate principal amount of convertible senior unsecured notes due 2023
ANDA	Abbreviated New Drug Application
Amgen	Amgen, Inc.
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Aziyo	Aziyo Med, LLC
CEO	Chief Executive Officer
Company	Ligand Pharmaceuticals Incorporated, including subsidiaries
CorMatrix	CorMatrix Cardiovascular, Inc.
CVR	Contingent value right
Crystal	Crystal Bioscience, Inc.
CyDex	CyDex Pharmaceuticals, Inc.
ESPP	Employee Stock Purchase Plan, as amended and restated
FASB	Financial Accounting Standards Board
FDA	Food and Drug Administration
GAAP	Generally accepted accounting principles in the United States
GRA	Glucagon receptor antagonist
Hovione	Hovione Farmaciencia
IPR&D	In-Process Research and Development
Ligand	Ligand Pharmaceuticals Incorporated, including subsidiaries
Metabasis	Metabasis Therapeutics, Inc.
NOLs	Net Operating Losses
Novartis	Novartis AG
OMT	OMT, Inc. or Open Monoclonal Technology, Inc.
Orange Book	Publication identifying drug products approved by the FDA based on safety and effectiveness
Q1 2008	The Company's fiscal quarter ended March 31, 2018
Q2 2018	The Company's fiscal quarter ended June 30, 2018
Q1 2017	The Company's fiscal quarter ended March 31, 2017
Q2 2017	The Company's fiscal quarter ended June 30, 2017
Retrophin	Retrophin Inc.
Roivant	Roivant Sciences GMBH
SEC	Securities and Exchange Commission
Selexis	Selexis, SA
Viking	Viking Therapeutics
WuXi	Wuxi Biologics
YTD	Year-to-date

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LIGAND PHARMACEUTICALS INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands, except share data)

	June 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 151,459	\$ 20,620
Short-term investments	805,468	181,041
Investment in Viking	59,796	—
Accounts receivable, net	42,001	25,596
Inventory	9,520	4,373
Derivative asset	399,409	—
Other current assets	12,817	5,391
Total current assets	1,480,470	237,021
Deferred income taxes	44,586	84,422
Investment in Viking	—	6,438
Intangible assets, net	222,001	228,584
Goodwill	85,961	85,959
Commercial license rights, net	20,437	19,526
Property and equipment, net	4,187	4,212
Other assets	642	4,859
Total assets	\$ 1,858,284	\$ 671,021
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,682	\$ 2,259
Accrued liabilities	9,312	7,377
Current contingent liabilities	7,495	4,703
Current deferred revenue, net	1,700	—
2019 convertible senior notes, net	210,370	224,529
Derivative liability	401,291	—
Total current liabilities	632,850	238,868
2023 convertible senior notes, net	595,912	
Long-term contingent liabilities	8,146	9,258
Other long-term liabilities	1,563	4,248
Total liabilities	1,238,471	252,374
Commitments and contingencies		
Equity component of currently redeemable convertible notes (Note 3)	—	18,859
Stockholders' equity:		
Common stock, \$0.001 par value; 60,000,000 and 33,333,333 shares authorized; 21,095,174 and 21,148,665 shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively	21	21
Additional paid-in capital	874,183	798,205
Accumulated other comprehensive (loss) income	(151) 2,486

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Accumulated deficit	(254,240)	(400,924)
Total stockholders' equity	619,813	399,788
Total liabilities and stockholders' equity	\$1,858,284	\$ 671,021

See accompanying notes.

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(in thousands, except per share amounts)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Revenues:				
Royalties	\$31,396	\$14,211	\$52,216	\$38,441
Material sales	7,612	5,550	12,003	6,672
License fees, milestones and other revenues	51,035	8,234	81,981	12,151
Total revenues	90,043	27,995	146,200	