

Cyclacel Pharmaceuticals, Inc.  
Form 10-Q  
August 14, 2013  
Table of Contents

**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**

Commission file number 0-50626

**CYCLACEL PHARMACEUTICALS, INC.**

(Exact name of registrant as specified in its charter)

Edgar Filing: Cyclacel Pharmaceuticals, Inc. - Form 10-Q

**Delaware**  
(State or Other Jurisdiction  
of Incorporation or Organization)

**91-1707622**  
(I.R.S. Employer  
Identification No.)

**200 Connell Drive, Suite 1500**

**Berkeley Heights, New Jersey**  
(Address of principal executive offices)

**07922**  
(Zip Code)

Registrant's telephone number, including area code: **(908) 517-7330**

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 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 filer

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 13, 2013 there were 17,715,113 shares of the registrant's common stock outstanding.

---

Table of Contents

**CYCLACEL PHARMACEUTICALS, INC.**

**INDEX**

		<b>Page</b>
<u>Part I.</u>	<u>Financial Information</u>	3
	<u>Item 1.</u>	<u>Financial Statements (Unaudited)</u> 3
	<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 24
	<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u> 38
	<u>Item 4.</u>	<u>Controls and Procedures</u> 39
<u>Part II.</u>	<u>Other Information</u>	
	<u>Item 1.</u>	<u>Legal Proceedings</u> 39
	<u>Item 1A.</u>	<u>Risk Factors</u> 40
	<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u> 58
	<u>Item 3.</u>	<u>Defaults upon Senior Securities</u> 58
	<u>Item 4.</u>	<u>Mine Safety Disclosures</u> 59
	<u>Item 5.</u>	<u>Other Information</u> 59
	<u>Item 6.</u>	<u>Exhibits</u> 59
<u>SIGNATURE PAGE</u>		60

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements.****CYCLACEL PHARMACEUTICALS, INC.****(A Development Stage Company)****CONDENSED CONSOLIDATED BALANCE SHEETS****(In \$000s, except share amounts)**

	<b>December 31, 2012</b>	<b>June 30, 2013 (unaudited)</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 16,412	\$ 33,668
Prepaid expenses and other current assets	1,599	2,670
Current assets of discontinued operations	861	817
Total current assets	18,872	37,155
Property, plant and equipment (net)	129	169
Long-term assets of discontinued operations	353	186
Total assets	\$ 19,354	\$ 37,510
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 2,259	\$ 2,437
Accrued and other current liabilities	5,601	3,797
Economic Rights measured at fair value	1,120	
Other liabilities measured at fair value	20	20
Current liabilities of discontinued operations	335	325
Total current liabilities	9,335	6,579
Total liabilities	9,335	6,579
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized at December 31, 2012 and June 30, 2013; 1,213,142 and 420,682 shares issued and outstanding at December 31, 2012 and June 30, 2013, respectively. Aggregate preference in liquidation of \$14,436,390 and \$5,006,116 at December 31, 2012 and June 30, 2013, respectively	1	
Common stock, \$0.001 par value; 100,000,000 shares authorized at December 31, 2012 and June 30, 2013; 8,686,484 and 17,715,113 shares issued and outstanding at December 31, 2012 and June 30, 2013, respectively	9	17
Additional paid-in capital	280,211	311,125
Accumulated other comprehensive income (loss)	48	(5)
Deficit accumulated during the development stage	(270,250)	(280,206)
Total stockholders' equity	10,019	30,931
Total liabilities and stockholders' equity	\$ 19,354	\$ 37,510

Edgar Filing: Cyclacel Pharmaceuticals, Inc. - Form 10-Q

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

Table of Contents

## CYCLACEL PHARMACEUTICALS, INC.

(A Development Stage Company)

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In \$000s, except share and per share amounts)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,		Period from August 13, 1996 (inception) to June 30, 2013
	2012	2013	2012	2013	
<b>Revenues:</b>					
Collaboration and research and development revenue	\$	\$	\$	\$	\$ 3,100
Grant revenue	26	264	26	476	4,193
<b>Total revenues</b>	26	264	26	476	7,293
<b>Operating expenses:</b>					
Research and development	1,717	2,631	3,064	4,211	196,602
General and administrative	2,121	1,787	3,889	4,470	93,881
Goodwill and intangibles impairment					2,747
Other restructuring costs					2,634
<b>Total operating expenses</b>	3,838	4,418	6,953	8,681	295,864
<b>Operating loss</b>	(3,812)	(4,154)	(6,927)	(8,205)	(288,571)
Other income (expense):					
Costs associated with aborted 2004 IPO					(3,550)
Payment under guarantee					(1,652)
Non-cash consideration associated with stock purchase agreement					(423)
Change in valuation of Economic Rights	146		90	570	547
Change in valuation of liabilities measured at fair value	8		50		6,378
Foreign exchange gains (losses)	117	(101)	231	19	(3,986)
Interest income	6	3	12	4	13,751
Interest expense					(4,567)
Other income (expense), net	29	5,500	76	5,504	5,581
Total other income	306	5,402	459	6,097	12,079
<b>(Loss) income from continuing operations before taxes</b>	(3,506)	1,248	(6,468)	(2,108)	(276,492)
Income tax benefit, net	127	230	295	488	20,283
<b>Net (loss) income from continuing operations</b>	(3,379)	1,478	(6,173)	(1,620)	(256,209)
<b>Discontinued operations:</b>					
(Loss) income from discontinued operations	(198)	24	(359)	50	(11,759)
Income tax on discontinued operations		(10)		(20)	(357)
<b>Net (loss) income from discontinued operations</b>	(198)	14	(359)	30	(12,116)
<b>Net (loss) income</b>	(3,577)	1,492	(6,532)	(1,590)	(268,325)
Dividend on preferred ordinary shares					(38,123)

Edgar Filing: Cyclacel Pharmaceuticals, Inc. - Form 10-Q

Deemed dividend on convertible exchangeable preferred shares					(8,366)	(11,881)
Dividend on convertible exchangeable preferred shares	(182)	(63)	(364)	(185)	(4,570)	
<b>Net (loss) income applicable to common shareholders</b>	<b>\$ (3,759)</b>	<b>\$ 1,429</b>	<b>\$ (6,896)</b>	<b>\$ (10,141)</b>	<b>\$ (322,899)</b>	

**Basic earnings per common share:**

Net (loss) income per share, continuing operations	\$ (0.42)	\$ 0.10	\$ (0.80)	\$ (0.86)		
Net (loss) income per share, discontinued operations	\$ (0.02)	\$ 0.00	\$ (0.04)	\$ 0.00		
Net (loss) income applicable to common shareholders	\$ (0.45)	\$ 0.10	\$ (0.85)	\$ (0.86)		

**Diluted earnings per common share:**

Net (loss) income per share, continuing operations	\$ (0.42)	\$ 0.10	\$ (0.80)	\$ (0.86)		
Net (loss) income per share, discontinued operations	\$ (0.02)	\$ 0.00	\$ (0.04)	\$ 0.00		
Net (loss) income applicable to common shareholders	\$ (0.45)	\$ 0.10	\$ (0.85)	\$ (0.86)		

**Weighted average shares of common stock outstanding:**

Basic	8,428,154	13,885,442	8,125,621	11,849,270
Diluted	8,428,154	13,927,371	8,125,621	11,849,270

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

Table of Contents**CYCLACEL PHARMACEUTICALS, INC.****(A Development Stage Company)****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS****(In \$000s, except share and per share amounts)****(Unaudited)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>		<b>Period from August 13, 1996 (inception) to June 30, 2013</b>
	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	
Net (loss) income from continuing operations	\$ (3,379)	\$ 1,478	\$ (6,173)	\$ (1,620)	\$ (256,209)
Net (loss) income from discontinued operations	(198)	14	(359)	30	(12,116)
Net (loss) income	(3,577)	1,492	(6,532)	(1,590)	(268,325)
Translation adjustment	2,398	(14)	(931)	6,638	7,353
Unrealized foreign exchange gain (loss) on intercompany loans	(2,385)	202	952	(6,691)	(7,358)
Comprehensive loss	\$ (3,564)	\$ 1,680	\$ (6,511)	\$ (1,643)	\$ (268,330)

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



Table of Contents

**CYCLACEL PHARMACEUTICALS, INC.**  
**(A Development Stage Company)**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**(In \$000s)**  
**(Unaudited)**

	Six Months Ended June 30,		Period from August 13, 1996 (inception) to June 30, 2013
	2012	2013	
<b>Operating activities:</b>			
Net loss	\$ (6,532)	\$ (1,590)	\$ (268,325)
Adjustments to reconcile net loss to net cash used in operating activities:			
Accretion of interest on notes payable, net of amortization of debt premium			100
Amortization of investment premiums, net			(2,297)
Change in valuation of liabilities measured at fair value	(140)	(1,120)	(7,475)
Non-cash consideration associated with stock purchase agreement			423
Depreciation	30	36	12,651
Amortization of intangible assets			886
Fixed asset impairment			221
Unrealized foreign exchange (gains) losses			7,747
Deferred revenue			(98)
Compensation for warrants issued to non-employees			1,215
Gain on sale of patents		(5,500)	(5,500)
Shares issued for IP rights			446
Loss (gain) on disposal of property, plant and equipment	(62)		38
Goodwill and intangibles impairment			7,934
Stock-based compensation	211	146	19,549
Provision for restructuring			1,779
Amortization of issuance costs of Preferred Ordinary C shares			2,517
Transaction costs on sale of Economic Rights	33		33
Gain on termination of distribution agreements			(1,192)
Changes in operating assets and liabilities:			
Prepaid expenses and other assets	(307)	(1,124)	(1,421)
Accounts payable and other current liabilities	(709)	(1,530)	(5,075)
Net cash used in operating activities	(7,476)	(10,682)	(235,844)
<b>Investing activities:</b>			
Purchase of ALIGN			(3,763)
Purchase of property, plant and equipment	(10)	(92)	(8,941)
Minimum royalty payments received from termination of ALIGN license agreement		264	264
Proceeds from sale of patents		5,500	5,500
Proceeds from sale of property, plant and equipment	62		225
Purchase of short-term investments on deposit, net of maturities			(156,657)
Cash proceeds from redemption of short term securities			162,729
Net cash provided by (used in) investing activities	52	5,672	(643)

Table of Contents

**CYCLACEL PHARMACEUTICALS, INC.**  
**(A Development Stage Company)**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)**  
**(In \$000s)**  
**(Unaudited)**

	Six Months Ended June 30,		Period from August 13, 1996 (inception) to June 30, 2013
	2012	2013	
<b>Financing activities:</b>			
Payments of capital lease obligations			(3,719)
Proceeds from issuance of ordinary and preferred ordinary shares, net of issuance costs			121,678
Proceeds from issuance of common stock and warrants, net of issuance costs	2,886	22,495	118,047
Proceeds from the exercise of stock options and warrants, net of issuance costs	34		267
Payment of preferred stock dividend		(192)	(2,090)
Repayment of government loan			(455)
Government loan received			414
Loan received from Cyclacel Group plc			9,103
Proceeds of committable loan notes issued from shareholders			8,883
Loans received from shareholders			1,645
Cash and cash equivalents assumed on stock purchase of Xcyte			17,915
Costs associated with stock purchase			(1,951)
Net cash provided by financing activities	2,920	22,303	269,737
Effect of exchange rate changes on cash and cash equivalents	19	(37)	418
Net increase (decrease) in cash and cash equivalents	(4,485)	17,256	33,668
Cash and cash equivalents, beginning of period	24,449	16,412	