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Emergent BioSolutions Inc.

Form 10-Q

August 03, 2018

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, 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: 001-33137

EMERGENT BIOSOLUTIONS INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

14-1902018

(I.R.S. Employer
Identification No.)

400 Professional Drive, Suite 400

Gaithersburg, Maryland

20879

(Address of Principal Executive Offices) (Zip Code)

(240) 631-3200

(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 website, 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, a smaller reporting company, or an emerging growth company. See the 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 Smaller reporting company Emerging growth company

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(Do not check if a smaller reporting 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 July 27, 2018, the registrant had 50,019,935 shares of common stock outstanding.

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BioThrax® (Anthrax Vaccine Adsorbed), RSDL® (Reactive Skin Decontamination Lotion Kit), BAT® [Botulism Antitoxin Heptavalent (A,B,C,D,E,F,G)-(Equine)], Anthrasil® (Anthrax Immune Globulin Intravenous [human]), NuThrax™ (anthrax vaccine adsorbed with CPG 7909 adjuvant), VIGIV [Vaccinia Immune Globulin Intravenous (Human)], Trobigard™ (atropine sulfate, obidoxime chloride), ACAM2000®, (Smallpox (Vaccinia) Vaccine, Live), Raxibacumab (Anthrax Monoclonal) and any and all Emergent BioSolutions Inc. brands, products, services and feature names, logos and slogans are trademarks or registered trademarks of Emergent BioSolutions Inc. or its subsidiaries in the United States or other countries. All other brands, products, services and feature names or trademarks are the property of their respective owners.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q and the documents we incorporate by reference include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact, including statements regarding the future earnings and performance of Emergent BioSolutions Inc. or any of our businesses, our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans and objectives of management, are forward-looking statements. We generally identify forward-looking statements by using words like "will", "believes," "expects," "anticipates," "intends," "plans," "forecasts," "estimates" and similar expressions in conjunction with, among other things, discussions of financial performance or financial condition, growth strategy, product sales, manufacturing capabilities, product development, regulatory approvals or expenditures. These forward-looking statements are based on our current intentions, beliefs and expectations regarding future events. We cannot guarantee that any forward-looking statement will be accurate. You should realize that if underlying assumptions prove inaccurate or unknown risks or uncertainties materialize, actual results could differ materially from our expectations. You are, therefore, cautioned not to place undue reliance on any forward-looking statement. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by law, we do not undertake to update any forward-looking statement to reflect new information, events or circumstances.

There are a number of important factors that could cause our actual results to differ materially from those indicated by such forward-looking statements, including, among others:

- § appropriations for the procurement of BioThrax[®] (Anthrax Vaccine Adsorbed) and our other products addressing public health threats;
- § our ability to perform under our contracts with the U.S. government related to BioThrax, our NuThrax product candidate, and our other public health threat products, including the timing of and specifications relating to deliveries;
- § our ability to obtain Emergency Use Authorization pre-approval for NuThrax[™] (anthrax vaccine adsorbed with CPG 7909 adjuvant) from the U.S. Food and Drug Administration, or FDA;
- § the availability of funding for our U.S. government grants and contracts;
- § our ability to secure follow-on procurement contracts for our public health threat products that are under procurement contracts that have expired or will be expiring;
- § our ability to identify and acquire companies, businesses, products or product candidates that satisfy our selection criteria;
- § our ability to successfully identify and respond to new development contracts with the U.S. government, as well as successfully maintain, through achievement of development milestones, current development contracts with the U.S. government;
- § our ability and the ability of our contractors and suppliers to maintain compliance with current good manufacturing practices and other regulatory obligations;
- § the results of regulatory inspections;
- § the operating and financial restrictions placed on us and our subsidiaries under our senior secured credit facility;
- § the outcome of the class action lawsuit;
- § our ability to obtain and maintain regulatory approvals for our product candidates and the timing of any such approvals;
- § the procurement of products by U.S. government entities under regulatory exemptions prior to approval by the FDA and corresponding procurement by government entities outside of the United States under regulatory exemptions prior to approval by the corresponding regulatory authorities in the applicable country;
- § the success of our commercialization, marketing and manufacturing capabilities and strategy; and
- § the accuracy of our estimates regarding future revenues, expenses, capital requirements and needs for additional financing.

The foregoing sets forth many, but not all, of the factors that could cause actual results to differ from our expectations in any forward-looking statement. New factors emerge from time to time and it is not possible for management to predict all such factors, nor can it assess the impact of any such factor on the business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. You should consider this cautionary statement, the risk factors identified in the section entitled "Risk Factors" in this quarterly report on Form 10-Q and the risk factors identified in our other periodic reports filed with the Securities and Exchange Commission when evaluating our forward-looking statements.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Emergent BioSolutions Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(in thousands, except share and per share data)

	June 30, 2018	December 31, 2017
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 190,237	\$ 178,292
Restricted cash	1,043	1,043
Accounts receivable	189,489	143,653
Inventories	139,373	142,812
Income tax receivable, net	-	2,432
Prepaid expenses and other current assets	21,166	17,157
Total current assets	541,308	485,389
Property, plant and equipment, net	419,157	407,210
Intangible assets, net	111,773	119,597
Goodwill	49,130	49,130
Deferred tax assets, net	12,654	2,834
Other assets	4,869	6,046
Total assets	\$ 1,138,891	\$ 1,070,206
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 41,629	\$ 41,751
Accrued expenses and other current liabilities	10,552	4,831
Accrued compensation	29,259	37,882
Contingent consideration, current portion	2,852	2,372
Income taxes payable, net	2,771	-
Deferred revenue, current portion	9,750	13,232
Total current liabilities	96,813	100,068
Contingent consideration, net of current portion	9,839	9,902
Long-term indebtedness	13,482	13,457
Income taxes payable	12,500	12,500
Deferred revenue, net of current portion	63,255	17,259
Other liabilities	4,656	4,675
Total liabilities	200,545	157,861
Stockholders' equity:		
Preferred stock, \$0.001 par value; 15,000,000 shares authorized, 0 shares issued and outstanding at both June 30, 2018 and December 31, 2017	-	-
	51	50

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Common stock, \$0.001 par value; 200,000,000 shares authorized, 51,231,814 shares issued and 50,014,528 shares outstanding at June 30, 2018; 50,619,808 shares issued and 49,405,365 shares outstanding at December 31, 2017

Treasury stock, at cost, 1,217,286 and 1,214,443 common shares at June 30, 2018 and December 31, 2017, respectively	(39,642)	(39,497)
Additional paid-in capital	632,569	618,416
Accumulated other comprehensive loss	(4,415)	(3,698)
Retained earnings	349,783	337,074
Total stockholders' equity	938,346	912,345
Total liabilities and stockholders' equity	\$1,138,891	\$1,070,206

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

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Emergent BioSolutions Inc. and Subsidiaries
 Condensed Consolidated Statements of Operations
 (in thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(Unaudited)		(Unaudited)	
Revenues:				
Product sales	\$180,075	\$63,610	\$255,846	\$145,579
Contract manufacturing	23,613	16,160	49,791	33,788
Contracts and grants	16,512	21,002	32,377	38,263
Total revenues	220,200	100,772	338,014	217,630
Operating expenses:				
Cost of product sales and contract manufacturing	89,173	34,624	147,217	80,946
Research and development				