

SPECTRUM PHARMACEUTICALS INC

Form 10-Q

November 08, 2018

Table of Contents

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 September 30, 2018

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: 001-35006

SPECTRUM PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware 93-0979187
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

11500 South Eastern Avenue, Suite 240 89052
Henderson, Nevada
(Address of principal executive offices) (Zip Code)
(702) 835-6300
(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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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.

Large accelerated filer Accelerated filer
Non-accelerated filer 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 October 31, 2018, 106,913,392 shares of the registrant's common stock were outstanding.

Table of Contents

SPECTRUM PHARMACEUTICALS, INC.
 QUARTERLY REPORT ON FORM 10-Q
 FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018
 TABLE OF CONTENTS

Item	Page
PART I. FINANCIAL INFORMATION	
Item 1. <u>Condensed Consolidated Financial Statements (unaudited):</u>	
<u>Condensed Consolidated Balance Sheets as of September 30, 2018 and December 31, 2017</u>	<u>3</u>
<u>Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2018 and 2017</u>	<u>4</u>
<u>Condensed Consolidated Statements of Comprehensive Loss for the three and nine months ended September 30, 2018 and 2017</u>	<u>5</u>
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2018 and 2017</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>39</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>49</u>
Item 4. <u>Controls and Procedures</u>	<u>49</u>
PART II. OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	<u>49</u>
Item 1A. <u>Risk Factors</u>	<u>50</u>
Item 6. <u>Exhibits</u>	<u>51</u>
<u>Signatures</u>	<u>52</u>

Items 2 through 5 of Part II have been omitted because they are not applicable with respect to the current reporting period.

SPECTRUM PHARMACEUTICALS, INC. ®, FUSILEV®, FOLOTYN®, ZEVALIN®, MARQIBO®, BELEODAQ®, EVOMELA®, and ROLONTIS® are registered trademarks of Spectrum Pharmaceuticals, Inc. and its affiliates. QAPZOLA™, KHAPZORY™, REDEFINING CANCER CARE™ and the Spectrum Pharmaceuticals’ logos are trademarks owned by Spectrum Pharmaceuticals, Inc. Any other trademarks are the property of their respective owners.

Table of Contents

PART I: FINANCIAL INFORMATION

ITEM 1: CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SPECTRUM PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and par value amounts)

(Unaudited)

	September 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 166,541	\$ 227,323
Marketable securities	54,014	248
Accounts receivable, net of allowance for doubtful accounts of \$71 and \$71, respectively	29,485	32,260
Other receivables	5,131	2,133
Inventories	3,979	5,715
Prepaid expenses and other assets	8,300	10,067
Total current assets	267,450	277,746
Property and equipment, net of accumulated depreciation	437	589
Intangible assets, net of accumulated amortization	116,273	137,159
Goodwill	18,091	18,162
Other assets	10,376	53,783
Total assets	\$ 412,627	\$ 487,439
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 57,633	\$ 58,117
Accrued payroll and benefits	7,744	9,261
Deferred revenue	—	3,872
FOLOTYN development liability	211	275
Convertible senior notes	35,357	38,224
Total current liabilities	100,945	109,749
FOLOTYN development liability, less current portion	11,905	12,111
Deferred revenue, less current portion	—	315
Acquisition-related contingent obligations	5,555	6,272
Deferred tax liabilities	1,447	1,438
Other long-term liabilities	5,997	6,215
Total liabilities	125,849	136,100
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$0.001 par value; 300,000,000 shares authorized; 106,060,681 and 100,742,735 shares issued and outstanding at September 30, 2018 and December 31, 2017, respectively	106	100
Additional paid-in capital	840,681	837,347
Accumulated other comprehensive (loss) income	(3,342) 15,999
Accumulated deficit	(550,667) (502,107)
Total stockholders' equity	286,778	351,339
Total liabilities and stockholders' equity	\$ 412,627	\$ 487,439

See accompanying notes to these unaudited condensed consolidated financial statements.

3

Table of ContentsSPECTRUM PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and per share amounts)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues:				
Product sales, net	\$24,556	\$31,234	\$76,419	\$88,235
License fees and service revenue	712	5,161	3,511	11,562
Total revenues	\$25,268	\$36,395	\$79,930	\$99,797
Operating costs and expenses:				
Cost of sales (excluding amortization of intangible assets)	6,472	12,179	19,891	31,618
Cost of service revenue	—	—	—	4,221
Selling, general and administrative	19,837	18,527	67,393	55,052
Research and development	21,060	13,815	60,442	43,760
Amortization of intangible assets	6,923	6,928	20,804	20,718
Total operating costs and expenses	54,292	51,449	168,530	155,369
Loss from operations	(29,024)	(15,054)	(88,600)	(55,572)