

MERRIMACK PHARMACEUTICALS INC
Form 10-Q
August 07, 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: 001-35409

Merrimack Pharmaceuticals, Inc.

(Exact name of registrant as specified in its charter)

Delaware 04-3210530
(State or other jurisdiction of (I.R.S. Employer

incorporation or organization) Identification Number)

One Kendall Square, Suite B7201 02139

Edgar Filing: MERRIMACK PHARMACEUTICALS INC - Form 10-Q

Cambridge, MA
(Address of principal executive offices) (Zip Code)

(617) 441-1000

(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, 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

(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 2, 2018, there were 13,342,784 shares of Common Stock, \$0.01 par value per share, outstanding.

TABLE OF CONTENTS

PART I

FINANCIAL INFORMATION

	Page
Item <u>Financial Statements.</u>	2
1.	
<u>Condensed Consolidated Balance Sheets – June 30, 2018 and December 31, 2017 (unaudited)</u>	2
<u>Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income – Three and Six Months Ended June 30, 2018 and 2017 (unaudited)</u>	3
<u>Condensed Consolidated Statements of Cash Flows – Six Months Ended June 30, 2018 and 2017 (unaudited)</u>	4
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	5
Item <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations.</u>	14
2.	
Item <u>Quantitative and Qualitative Disclosures About Market Risk.</u>	22
3.	
Item <u>Controls and Procedures.</u>	23
4.	

PART II

OTHER INFORMATION

Item 1A. <u>Risk Factors.</u>	24
Item 6. <u>Exhibits.</u>	51
<u>Signatures</u>	52

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements of historical facts, contained in this Quarterly Report on Form 10-Q, including statements regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans and objectives of management, are forward-looking statements. The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “target,” “potential,” “will,” “would,” “could,” “may,” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

The forward-looking statements in this Quarterly Report on Form 10-Q include, among other things, statements about:

- our plans to develop and commercialize our clinical stage product candidates and diagnostics;
- our ongoing and planned discovery programs, preclinical studies and clinical trials;
- the timing of the completion of our clinical trials and the availability of results from such trials;
- our ability to establish and maintain collaborations for our product candidates;
- our receipt of payments related to the milestone events under the asset purchase and sale agreement with Ipsen S.A. or under the license and collaboration agreement between Baxalta Incorporated, Baxalta US Inc., Baxalta GmbH and Ipsen S.A., when expected or at all;
- the timing of and our ability to obtain and maintain regulatory approvals for our product candidates;
- the rate and degree of market acceptance and clinical utility of our product candidates;
- our intellectual property position;
- our commercialization, marketing and manufacturing capabilities and strategy;
- the potential advantages of our approach to drug research and development; and
- our estimates regarding expenses, future revenues, capital requirements and needs for additional financing.

We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. We have included important factors in the cautionary statements included in this Quarterly Report on Form 10-Q, particularly in Part II, Item 1A. Risk Factors, that could cause actual results or events to differ materially from the forward-looking statements that we make. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, collaborations or investments that we may make.

You should read this Quarterly Report on Form 10-Q and the documents that we have filed as exhibits to this Quarterly Report on Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect. We do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

NOTE REGARDING TRADEMARKS

ONIVYDE® is a trademark of Ipsen S.A. Any other trademarks, trade names and service marks referred to in this Quarterly Report on Form 10-Q are the property of their respective owners.

PART I

FINANCIAL INFORMATION

Item 1. Financial Statements.

Merrimack Pharmaceuticals, Inc.
Condensed Consolidated Balance Sheets

(unaudited)

	June 30, December 31,	
(in thousands, except per share amounts)	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$22,460	\$ 93,441
Marketable securities	37,544	—
Prepaid expenses and other current assets	1,727	1,605
Total current assets	61,731	95,046
Restricted cash	584	674
Property and equipment, net	4,143	6,467
Equity method investment	9,134	10,551
Other assets	4,634	4,588
Total assets	\$80,226	\$ 117,326
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable, accrued expenses and other	\$15,569	\$ 17,606
Deferred rent	2,325	2,171
Total current liabilities	17,894	19,777
Deferred rent, net of current portion	—	1,209
Other long-term liabilities	56	56
Total liabilities	17,950	