

ChemoCentryx, Inc.
Form 10-Q
August 08, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2014

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: 001-35420

ChemoCentryx, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

94-3254365
(I.R.S. Employer
Identification No.)

850 Maude Avenue
Mountain View, California 94043
(Address of Principal Executive Offices) (Zip Code)

(650) 210-2900
(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 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 the 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 company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of outstanding shares of the registrant's common stock, par value \$0.001 per share, as of August 1, 2014, was 43,335,756.

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CHEMOCENTRYX, INC.
QUARTERLY REPORT ON FORM 10-Q
For the quarterly period ended June 30, 2014

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****CHEMOCENTRYX, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(in thousands except share data)**

	June 30, 2014 (unaudited)	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,107	\$ 10,258
Short-term investments	86,799	123,055
Accounts receivable from related party		393
Prepaid expenses and other current assets	893	596
Total current assets	100,799	134,302
Property and equipment, net	1,241	1,399
Long-term investments	33,324	16,561
Other assets	182	160
Total assets	\$ 135,546	\$ 152,422
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 690	\$ 909
Accrued liabilities	7,130	5,649
Current portion of equipment financing obligations	105	314
Total current liabilities	7,925	6,872
Noncurrent equipment financing obligations		16
Other non-current liabilities	192	226
Total liabilities	8,117	7,114
Stockholders equity:		
Preferred stock, \$0.001 par value, 10,000,000 shares authorized; no shares issued and outstanding;		
Common stock, \$0.001 par value, 200,000,000 shares authorized at June 30, 2014 and December 31, 2013; 43,335,756 shares and 42,888,168 shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively.	43	43
Additional paid-in capital	324,040	318,103

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Note receivable	(16)	(16)
Accumulated other comprehensive income	22	40
Accumulated deficit	(196,660)	(172,862)
Total stockholders' equity	127,429	145,308
Total liabilities and stockholders' equity	\$ 135,546	\$ 152,422

See accompanying notes.

Table of Contents**CHEMOCENTRYX, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(in thousands, except per share data)****(unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenues:				
Collaborative research and development revenue from related party	\$	\$ 1,886	\$	\$ 3,813
Operating expenses:				
Research and development	9,002	8,676	17,151	17,931
General and administrative	3,382	2,809	6,905	5,773
Total operating expenses	12,384	11,485	24,056	23,704
Loss from operations	(12,384)	(9,599)	(24,056)	(19,891)
Other income (expense):				
Interest income	129	110	275	226
Interest expense	(6)	(15)	(17)	(32)
Total other income, net	123	95	258	194
Net loss	\$ (12,261)	\$ (9,504)	\$ (23,798)	\$ (19,697)
Basic and diluted net loss per common share	\$ (0.28)	\$ (0.23)	\$ (0.55)	\$ (0.51)
Shares used to compute basic and diluted net loss per common share	43,274	41,337	43,191	38,974

See accompanying notes.

Table of Contents**CHEMOCENTRYX, INC.****CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS****(in thousands)****(unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net loss	\$ (12,261)	\$ (9,504)	\$ (23,798)	\$ (19,697)
Unrealized loss on available-for-sale securities	(36)	(157)	(18)	(166)
Comprehensive loss	\$ (12,297)	\$ (9,661)	\$ (23,816)	\$ (19,863)

See accompanying notes.

Table of Contents**CHEMOCENTRYX, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)****(unaudited)**

	Six Months Ended June 30,	
	2014	2013
Operating activities		
Net loss	\$ (23,798)	\$ (19,697)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of property and equipment	285	283
Stock-based compensation	4,289	3,094
Noncash interest and amortization of premium on investments, net	1,442	757
Changes in assets and liabilities:		
Accounts receivable due from related party	393	254
Prepays and other current assets	(297)	(364)
Other assets	(22)	
Accounts payable	(219)	448
Other liabilities	1,494	(798)
Deferred revenue from related party		(2,257)
Net cash used in operating activities	(16,433)	(18,280)
Investing activities		
Purchases of property and equipment, net	(127)	(82)
Purchases of investments	(62,641)	(92,045)
Maturities of investments	80,627	85,532
Net cash provided by (used in) investing activities	17,859	(6,595)
Financing activities		
Proceeds from issuance of common stock		64,365
Proceeds from exercise of stock options and employee stock purchase plan	1,648	2,299
Proceeds from exercise of warrants		312
Payments on equipment financing obligations	(225)	(283)
Net cash provided by financing activities	1,423	66,693
Net increase in cash and cash equivalents	2,849	41,818
Cash and cash equivalents at beginning of period	10,258	8,460
Cash and cash equivalents at end of period	\$ 13,107	\$ 50,278

Supplemental disclosures of cash flow information

Cash paid for interest

See accompanying notes.

\$ 64 \$ 16

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CHEMOCENTRYX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2014

(unaudited)

1. Description of Business

ChemoCentryx, Inc. (the Company) commenced operations in 1997. The Company is a clinical-stage biopharmaceutical company focused on discovering, developing and commercializing orally administered chemoattractant receptor-based therapeutics to treat autoimmune diseases, inflammatory disorders and cancer. The Company's principal operations are in the United States and it operates in one segment.

Unaudited Interim Financial Information

The financial information filed is unaudited. The Condensed Consolidated Financial Statements included in this report reflect all adjustments (consisting only of normal recurring adjustments) that the Company considers necessary for the fair statement of the results of operations for the interim periods covered and of the financial condition of the Company at the date of the interim balance sheet. The December 31, 2013 Condensed Consolidated Balance Sheet was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles in the United States of America (GAAP). The results for interim periods are not necessarily indicative of the results for the entire year or any other interim period. The Condensed Consolidated Financial Statements should be read in conjunction with the Company's financial statements and the notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2013 filed with the Securities and Exchange Commission on March 14, 2014.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

Reclassifications

Certain items in the notes to Condensed Consolidated Financial Statements have been reclassified to conform to the current fiscal year's format.

Net Loss Per Share

Basic net loss per common share is computed by dividing net loss attributable to common stockholders by the weighted-average number of common shares outstanding during the period, without consideration for common stock equivalents.

Diluted net loss per share is computed by dividing net loss attributable to common stockholders by the sum of the weighted-average number of common shares outstanding and dilutive common stock equivalent shares outstanding for the period. The Company's potentially dilutive common stock equivalent shares, which include incremental common shares issuable upon the exercise of outstanding stock options and warrants, vesting of restricted stock units (RSUs), and the purchase from contributions to the 2012 Employee Stock Purchase Plan (the ESPP), (calculated based on the treasury stock method), are only included in the calculation of diluted net loss per share when their effect is dilutive.

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For the six months ended June 30, 2014 and 2013, the following potentially dilutive securities were excluded from the calculation of diluted net loss per share due to their anti-dilutive effect:

	Six Months Ended	
	June 30,	
	2014	2013
Options to purchase common stock, including ESPP	7,065,850	4,873,522
Restricted stock units	135,135	
Warrants to purchase common stock	150,000	151,672
	7,350,985	5,025,194

Comprehensive Income (Loss)

Comprehensive loss comprises net loss and other comprehensive income (loss). For the periods presented other comprehensive income (loss) consists solely of unrealized gains and losses on the Company's available-for-sale securities. For the periods presented there were no reclassification differences or income tax effects related to the unrealized gains or losses on the Company's available-for-sale securities.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board and the International Accounting Standards Board issued new converged accounting guidance on revenue recognition in contracts with customers. This new standard impacts the determination of identifying performance obligations in the contract, and estimating the amount of variable consideration to include in the transaction price. Additionally, it modifies the manner in which the transaction price is allocated to each separate performance obligation. This new standard is effective for the Company beginning in the first quarter of 2017. Early adoption is not permitted. The Company is in the process of evaluating the impact of the new standard on its consolidated financial statements.

Table of Contents**3. Cash Equivalents and Investments**

The amortized cost and fair value of cash equivalents and investments at June 30, 2014 and December 31, 2013 were as follows (in thousands):

	June 30, 2014			Fair Value
	Amortized Cost	Gross Gains	Unrealized Losses	
Money market fund	\$ 11,259	\$	\$	\$ 11,259
U.S. treasury securities	15,081	15	(2)	15,094
Government-sponsored agencies	18,003	7	(10)	18,000
Commercial paper	19,985			19,985
Corporate debt securities	67,031	28	(15)	67,044
Total available-for-sale securities	\$ 131,359	\$ 50	\$ (27)	\$ 131,382
Classified as:				
Cash equivalents				\$ 11,259
Short-term investments				86,799
Long-term investments				33,324
Total available-for-sale securities				\$ 131,382

	December 31, 2013			Fair Value
	Amortized Cost	Gross Gains	Unrealized Losses	
Money market fund	\$ 8,212	\$	\$	\$ 8,212
Certificate of deposits	6,025			6,025