

SCIOS INC
Form 10-Q
August 14, 2002

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, 2002

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: 0-11749

Scios Inc.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

95-3701481
(I.R.S. Employer
Identification No.)

Scios Inc.
820 W. Maude Ave.
Sunnyvale, CA 94085
(Address of principal executive offices) (Zip code)

(408) 616-8200
(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

Number of shares outstanding of the issuer's common stock, par value \$.001 per share, as of August 2, 2002: 46,622,390.

Part I

Item 1. Financial Statements

SCIOS INC.
Consolidated Balance Sheets
(in thousands, except share data and per share data)

	June 30, 2002	December 31, 2001
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 39,212	\$ 58,296
Marketable securities	13,396	7,351
Accounts receivable, net	11,081	6,943
Inventory	2,613	1,158
Prepaid expenses and other assets	5,070	4,214
	<u>71,372</u>	<u>77,962</u>
Total current assets	71,372	77,962
Marketable securities, non-current	48,673	63,669
Property and equipment, net	10,252	10,424
Other assets	758	4,123
	<u>131,055</u>	<u>156,178</u>
Total assets	\$ 131,055	\$ 156,178
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable	\$ 7,727	\$ 9,625
Accrued employee compensation	10,697	9,685
Other accrued liabilities	9,531	7,206
Deferred contract revenue	1,102	
Current portion of long-term debt	41,313	33,035
	<u>70,370</u>	<u>59,551</u>
Total current liabilities	70,370	59,551
Deferred contract revenue	3,493	
Long-term debt	15,396	15,479
	<u>89,259</u>	<u>75,030</u>
Total liabilities	89,259	75,030
Stockholders equity:		
Preferred stock; \$.001 par value; 20,000,000 shares authorized; 4,991 issued and outstanding		
Common stock; \$.001 par value; 150,000,000 shares authorized; issued and outstanding 46,614,473 and 45,985,167, respectively	47	46
Additional paid-in capital	567,958	561,352
Treasury stock; shares of 40,000 and 30,000, respectively	(644)	(445)
Deferred warrant costs	(4,389)	(6,794)
Deferred compensation	(106)	(106)
Accumulated other comprehensive income	564	999
Accumulated deficit	(521,634)	(473,904)
	<u>41,796</u>	<u>81,148</u>
Total stockholders equity	41,796	81,148
Total liabilities and stockholders equity	\$ 131,055	\$ 156,178

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

SCIOS INC.
Consolidated Statements of Operations and Comprehensive Loss
(in thousands, except share and per share data)

	Three months ended June 30,		Six months ended June 30,	
	2002	2001	2002	2001
	(Unaudited)		(Unaudited)	
Revenues:				
Product sales	\$ 22,510	\$ 2,098	\$ 37,883	\$ 2,098
Research and development contracts and royalties	517	1,484	1,588	2,581
Psychiatric product sales and co-promotion commissions, net of expenses		1,659		3,142
Gain on sale of marketing rights				9,363
	<u>23,027</u>	<u>5,241</u>	<u>39,471</u>	<u>17,184</u>
Costs and expenses:				
Cost of product sales	1,381		2,392	
Research and development	16,808	13,084	31,663	22,564
Selling, general and administration	26,075	10,278	50,789	16,758
	<u>44,264</u>	<u>23,362</u>	<u>84,844</u>	<u>39,322</u>
Loss from operations	<u>(21,237)</u>	<u>(18,121)</u>	<u>(45,373)</u>	<u>(22,138)</u>
Other income (expense):				
Interest income	913	742	1,721	1,554
Interest expense	(2,498)	(754)	(4,442)	(1,603)
Realized gains on securities	370	135	293	389
Other income (expense)	(56)	(275)	71	(698)
	<u>(1,271)</u>	<u>(152)</u>	<u>(2,357)</u>	<u>(358)</u>
Net loss	<u>(22,508)</u>	<u>(18,273)</u>	<u>(47,730)</u>	<u>(22,496)</u>
Other comprehensive loss				
Change in net unrealized gains on securities	(4)	(755)	(435)	(639)
Comprehensive loss	<u>\$ (22,512)</u>	<u>\$ (19,028)</u>	<u>\$ (48,165)</u>	<u>\$ (23,135)</u>
Loss per common share:				
Basic and diluted	\$ (0.48)	\$ (0.46)	\$ (1.03)	\$ (0.57)
Weighted average number of common shares outstanding used in calculation of:				
Basic and diluted	46,436,087	40,087,161	46,246,360	39,653,959

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

SCIOS INC.
Consolidated Statements of Cash Flows
(in thousands)

	Six months ended June 30,	
	2002	2001
	(Unaudited)	
Cash flows from operating activities:		
Net loss	\$ (47,730)	\$ (22,496)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	2,450	1,417
Amortization of debt discount	744	
Gain on disposal of marketable securities	(293)	(389)
Accrued interest payable	3,698	1,602
Loss on disposal of property and equipment	119	
Amortization of deferred compensation		311
Allowance for bad debt, returns, and discounts	358	
Stock option issued to non-employee for services rendered	109	
Changes in assets and liabilities:		
Accounts receivable	(4,496)	134
Inventory	(1,455)	
Prepaid expenses and other assets	2,509	(2,997)
Accounts payable	(1,898)	3,913
Accrued employee compensation	1,012	731
Other accrued liabilities	2,325	(3,754)
Deferred contract revenue	4,595	(2,095)
	(37,953)	(23,623)
Cash flows from investing activities:		
Purchases of property and equipment		