

CHAMPIONS ONCOLOGY, INC.
Form 10-Q
March 16, 2016

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 January 31, 2016

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 001-11504

CHAMPIONS ONCOLOGY, INC.

(Exact name of registrant as defined in its charter)

Delaware	52-1401755
<i>(State or other jurisdiction of</i>	<i>(I.R.S. Employer</i>
<i>incorporation or organization)</i>	<i>Identification No.)</i>

One University Plaza, Suite 307	07601
Hackensack, New Jersey	<i>(Zip Code)</i>
<i>(Address of principal executive offices)</i>	

(201) 808-8400

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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, 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 Smaller reporting company
(Do not check if a 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 Common Shares of the Registrant outstanding as of March 11, 2016 was 8,702,237.

DOCUMENTS INCORPORATED BY REFERENCE - None

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FOR THE QUARTERLY PERIOD ENDED JANUARY 31, 2016

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PART I – FINANCIAL INFORMATION**Item 1. Financial Statements****CHAMPIONS ONCOLOGY, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(Dollars in Thousands, Except Per Share Amounts)**

	January 31, 2016 (unaudited)	April 30, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,293	\$9,357
Accounts receivable, net	2,105	1,060
Prepaid expenses and other current assets	414	346
Total current assets	5,812	10,763
Restricted cash	150	163
Property and equipment, net	514	452
Goodwill	669	669
Total assets	\$ 7,145	\$12,047
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,515	\$1,414
Accrued liabilities	257	373
Deferred revenue	2,875	2,009
Total current liabilities	4,647	3,796
Other non-current liabilities	239	192
Total liabilities	4,886	3,988
Commitments and Contingencies		

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Stockholders' equity:

Common stock, \$.001 par value; 200,000,000 shares authorized; 8,963,590 shares issued and 8,702,237 shares outstanding as of January 31, 2016 and April 30, 2015, respectively	9	9
Treasury stock, at cost, 269,686 common shares as of January 31, 2016 and April 30, 2015	(1,252)	(1,252)
Additional paid-in capital	63,394	61,322
Accumulated deficit	(59,892)	(52,020)
Total stockholders' equity	2,259	8,059
Total liabilities and stockholders' equity	\$ 7,145	\$ 12,047

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

CHAMPIONS ONCOLOGY, INC.**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(Dollars in Thousands, Except Per Share Amounts)**

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2016	2015	2016	2015
Operating revenue:				
Personalized oncology solutions	\$416	\$453	\$1,387	\$1,245
Translational oncology solutions	2,136	1,376	6,958	4,377
Total operating revenue	2,552	1,829	8,345	5,622
Costs and operating expenses:				
Cost of personalized oncology solutions	479	674	1,661	2,190
Cost of translational oncology solutions	1,627	1,301	4,683	3,225
Research and development	999	1,093	3,018	3,757
Sales and marketing	779	1,094	2,688	3,340
General and administrative	1,041	1,086	4,062	3,944
Total costs and operating expenses	4,925	5,248	16,112	16,456
Loss from operations	(2,373)	(3,419)	(7,767)	(10,834)
Other (expense) income:				
Change in fair value of warrant liability	-	621	-	1,401
Other (expense)	(8)	(6)	(29)	(3)
Total other (expense) income	(8)	615	(29)	1,398
Loss before provision for income taxes	(2,381)	(2,804)	(7,796)	(9,436)
Provision for income taxes	31	12	76	27
Net loss	\$(2,412)	\$(2,816)	\$(7,872)	\$(9,463)
Net loss per common share outstanding				
basic	\$(0.28)	\$(0.51)	\$(0.90)	\$(1.70)
and diluted	\$(0.28)	\$(0.61)	\$(0.90)	\$(1.94)
Weighted average common shares outstanding				
basic	8,702,237	5,574,447	8,702,237	5,574,244
and diluted	8,702,237	5,603,798	8,702,237	5,603,595

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

CHAMPIONS ONCOLOGY, INC.**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Dollars in Thousands)**

	Nine Months Ended January 31,	
	2016	2015
Operating activities:		
Net loss	\$ (7,872)	\$ (9,463)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	2,090	2,284
Depreciation expense	114	166
Provision for bad debts	33	-
Change in fair value of warrant liability	-	(1,401)
Changes in operating assets and liabilities:		
Accounts receivable	(1,078)	233
Prepaid expenses and other current assets	(68)	125
Restricted cash	13	2
Accounts payable	101	381
Accrued liabilities	(116)	(167)
Other non-current liability	64	-
Deferred revenue	866	218
Net cash used in operating activities	(5,853)	(7,622)
Investing activities:		
Purchase of property and equipment	(176)	(84)
Net cash used in investing activities	(176)	(84)
Financing activities:		
Proceeds from executive note financing	-	2,000
Payment of issuance costs related to March 2015 Private Placement	(18)	-
Capital lease payments	(17)	(5)
Proceeds from exercise of options	-	2
Net cash (used in)/provided by financing activities	(35)	1,997
Decrease in cash and cash equivalents..	(6,064)	(5,709)
Cash and cash equivalents, beginning of period	9,357	5,891
Cash and cash equivalents, end of period	\$ 3,293	\$ 182

Non-cash investing activities:

Purchase equipment under capital lease	-	124
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The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

CHAMPIONS ONCOLOGY, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization, Use of Estimates and Basis of Presentation

Champions Oncology, Inc. (the “Company”), is engaged in the development and sale of advanced technology solutions and products to personalize the development and use of oncology drugs. The Company’s TumorGraft Technology Platform is a novel approach to personalizing cancer care based upon the implantation of human tumors in immune-deficient mice. The Company uses this technology, in conjunction with related services, to offer solutions for two consumer groups: Personalized Oncology Solutions (“POS”) and Translational Oncology Solutions (“TOS”). POS assists physicians in developing personalized treatment options for their cancer patients through tumor specific data obtained from drug panels and related personalized oncology services. The Company’s TOS business offers a technology platform to pharmaceutical and biotechnology companies using proprietary TumorGraft studies, which the Company believes may be predictive of how drugs may perform in clinical settings.

The Company has three operating subsidiaries: Champions Oncology (Israel), Limited, Champions Biotechnology U.K., Limited and Champions Oncology Singapore, PTE LTD. Champions Oncology Singapore, PTE LTD is currently inactive and is in the process of being closed. For the three and nine months ended January 31, 2016 and 2015, there were no material revenues earned by these subsidiaries.

The Company’s foreign subsidiaries functional currency is the U.S. dollar. Transaction gains and losses are recognized in earnings. The Company is subject to foreign exchange rate fluctuations in connection with the Company’s international operations.

These unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission or the SEC. All significant intercompany transactions and accounts have been eliminated. Certain information related to the Company’s organization, significant accounting policies and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States or GAAP has been condensed or omitted. The accounting policies followed in the preparation of these unaudited condensed consolidated financial statements are consistent with those followed in the Company’s annual consolidated financial statements for the year ended April 30, 2015, as filed on Form 10-K. In the opinion of management, these unaudited condensed consolidated financial statements contain all material adjustments necessary to fairly state our financial position, results of operations and cash flows for the periods presented and the presentations and disclosures herein are adequate when read in conjunction with the Company’s Annual Report on Form 10-K for the year ended April 30, 2015.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Liquidity

Our liquidity needs have typically arisen from the funding of our research and development programs and the launch of new products, working capital requirements, and other strategic initiatives. In the past, we have met these cash requirements through our sales of products and services, cash and cash equivalents, working capital management, and proceeds from certain private placements of our securities. As of January 31, 2016, we had positive working capital of \$1.2 million and cash and cash equivalents on hand of \$3.3 million. We believe that our cash and cash equivalents on hand at January 31, 2016 are adequate to fund our operations through at least April 2017. However, in order for us to continue as a going concern beyond this point, we may need to obtain capital from external sources. If we are unable to obtain additional financing, we may be required to reduce the scope of, or delay or eliminate, some of our research and development and other activities, which could harm our financial condition and operating results. Financing may not be available on acceptable terms or at all, and our failure to raise capital when needed could negatively impact our growth plans and our financial condition and results of operations. Additional equity financing may be dilutive to the holders of our common stock and debt financing, if available, may involve significant cash payment obligations and covenants and/or financial ratios that could restrict our ability to operate our business.

Reverse Stock Split

On October 15, 2013, the shareholders of the Company authorized our Board of Directors to effect a reverse stock split of all outstanding shares of common stock, warrants and options. The Board of Directors subsequently approved the implementation of a reverse stock split at a ratio of one-for-twelve shares, which became effective on August 12, 2015. All share and per share data in these condensed consolidated financial statements and related notes hereto have been retroactively adjusted to account for the effect of the reverse stock split.

Earnings Per Share

Basic net loss per share is computed by dividing the net loss for the period by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by dividing the net loss for the period by the weighted-average number of shares of common stock plus dilutive potential common stock considered outstanding during the period. Such dilutive shares consist of incremental shares that would be issued upon exercise of the Company's common stock purchase warrants and stock options. For the three and nine months ended January 31, 2016, basic and dilutive loss per share were the same, as the potentially dilutive securities did not have a dilutive effect. Although there were net losses for the three and nine months ended January 31, 2015, the gain from the change in fair value of the warrant liability for these periods had a dilutive effect on earnings per share.

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2016	2015	2016	2015
Basic loss per share computation				
Net loss attributable to common stockholders	\$(2,412,381)	\$(2,816,465)	\$(7,872,115)	\$(9,462,281)
Weighted Average common shares – basic	8,702,237	5,574,447	8,702,237	5,574,244
Basic net loss per share	\$(0.28)	\$(0.51)	\$(0.90)	\$(1.70)
Diluted loss per share computation				
Net loss attributable to common stockholders	\$(2,412,381)	\$(2,816,465)	\$(7,872,115)	\$(9,462,281)
Less: Gain on derivative warrant liability	-	620,687	-	1,401,314
Loss available to common stockholders	\$(2,412,381)	\$(3,437,152)	\$(7,872,115)	\$(10,863,595)
Weighted Average common shares	8,702,237	5,574,447	8,702,237	5,574,244
Incremental shares from assumed exercise of warrants and stock options	-	29,351	-	29,351
Adjusted weighted average share – diluted	8,702,237	5,603,798	8,702,237	5,603,595
Diluted net loss per share	\$(0.28)	\$(0.61)	\$(0.90)	\$(1.94)

The following table reflects the total potential share-based instruments outstanding at January 31, 2016 and 2015 that could have an effect on the future computation of dilution per common share:

	January 31,	
	2016	2015
Stock options	2,212,571	1,999,167
Warrants	2,109,840	260,556
Total common stock equivalents	4,322,411	2,259,723

Income Taxes

Deferred income taxes have been provided to show the effect of temporary differences between the recognition of expenses for financial and income tax reporting purposes and between the tax basis of assets and liabilities, and their reported amounts in the consolidated financial statements. In assessing the realizability of deferred tax assets, the Company assesses the likelihood that deferred tax assets will be recovered through tax planning strategies or from future taxable income, and to the extent that recovery is not likely or there is insufficient operating history, a valuation allowance is established. The Company adjusts the valuation allowance in the period management determines it is more likely than not that net deferred tax assets will or will not be realized. Changes in valuation allowances from period to period are included in the tax provision in the period of change. As of January 31, 2016 and 2015, the Company provided a valuation allowance for all net deferred tax assets, as recovery is not more likely than not based on an insufficient history of earnings.

Tax positions are positions taken in a previously filed tax return or positions expected to be taken in a future tax return that are reflected in measuring current or deferred income tax assets and liabilities reported in the consolidated financial statements. Tax positions include, but are not limited to, the following:

- An allocatio