

Vanda Pharmaceuticals Inc.
Form 10-Q
May 09, 2008

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 March 31, 2008**
- 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: 000-51863

VANDA PHARMACEUTICALS INC.

(Exact name of registrant as specified in its charter)

Delaware

*(State or Other Jurisdiction of
Incorporation or Organization)*

**9605 Medical Center Drive, Suite 300
Rockville, Maryland**

(Address of Principal Executive Offices)

03-0491827

*(I.R.S. Employer
Identification No.)*

20850

(Zip Code)

(240) 599-4500

(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 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. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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(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

As of May 9, 2008, there were 26,652,728 shares of the registrant's Common Stock issued and outstanding.

Vanda Pharmaceuticals Inc.
(A Development Stage Enterprise)

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For the Three Months Ended March 31, 2008

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Part I FINANCIAL INFORMATION**Item 1. Financial Statements (Unaudited).****VANDA PHARMACEUTICALS INC.
(A Development Stage Enterprise)****CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)**

	March 31, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 56,015,493	\$ 41,929,533
Marketable securities	15,028,210	43,243,960
Prepaid expenses, deposits and other current assets	1,176,179	1,781,881
Total current assets	72,219,882	86,955,374
Marketable securities, long-term	5,994,202	7,979,331
Property and equipment, net	1,602,025	1,345,845
Deposits	150,000	150,000
Restricted cash	430,230	430,230
Total assets	\$ 80,396,339	\$ 96,860,780
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 1,825,933	\$ 2,988,069
Accrued liabilities	8,491,785	9,789,738
Total current liabilities	10,317,718	12,777,807
Deferred rent	422,407	354,042
Total liabilities	10,740,125	13,131,849
Commitments and contingencies		
Stockholders' equity		
Preferred stock, \$0.001 par value; 20,000,000 shares authorized and none issued and outstanding at March 31, 2008 and December 31, 2007		
Common stock, \$0.001 par value, 150,000,000 shares authorized as of March 31, 2008 and December 31, 2007; and 26,652,728 shares issued and outstanding as of March 31, 2008 and December 31, 2007	26,653	26,653
Additional paid-in capital	262,706,082	257,600,368
Accumulated other comprehensive income	29,874	12,176

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Deficit accumulated during the development stage	(193,106,395)	(173,910,266)
Total stockholders' equity	69,656,214	83,728,931
Total liabilities and stockholders' equity	\$ 80,396,339	\$ 96,860,780

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

VANDA PHARMACEUTICALS INC.
(A Development Stage Enterprise)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended		Period from
	March 31,	March 31,	March 13,
	2008	2007	2003
			(Inception) to
			March 31,
			2008
Revenues from services	\$	\$	\$ 81,545
Operating expenses:			
Research and development	11,102,665	10,592,059	136,752,438
General and administrative	8,959,214	6,233,549	65,968,477
Total operating expenses	20,061,879	16,825,608	202,720,915
Loss from operations	(20,061,879)	(16,825,608)	(202,639,370)
Other income (expense):			
Interest income	865,750	1,433,654	9,564,539
Interest expense			(80,485)
Other income, net			71,947
Total other income, net	865,750	1,433,654	9,556,001
Loss before tax provision	(19,196,129)	(15,391,954)	(193,083,369)
Tax provision		806	23,026
Net loss	(19,196,129)	(15,392,760)	(193,106,395)
Beneficial conversion feature deemed dividend to preferred stockholders			(33,486,623)
Net loss attributable to common stockholders	\$ (19,196,129)	\$ (15,392,760)	\$ (226,593,018)
Basic and diluted net loss per share attributable to common stockholders	\$ (0.72)	\$ (0.61)	
Shares used in calculation of basic and diluted net loss per share attributable to common stockholders	26,648,344	25,340,455	

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

VANDA PHARMACEUTICALS INC.
(A Development Stage Enterprise)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)

	Common Stock Shares	Stock Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Deficit Accumulated During the Development Stage	Comprehensive Loss	Total
Balances at December 31, 2007	26,652,728	\$ 26,653	\$ 257,600,368	\$ 12,176	\$ (173,910,266)		\$ 83,728,931
Employee stock-based compensation			5,118,537				5,118,537
Non-employee stock-based compensation			(12,823)				(12,823)
Comprehensive loss:							
Net loss					(19,196,129)	\$ (19,196,129)	
Cumulative translation adjustment				16,220		16,220	
Net unrealized gains on marketable securities				1,478		1,478	
Comprehensive loss						\$ (19,178,431)	(19,178,431)
Balances at March 31, 2008	26,652,728	\$ 26,653	\$ 262,706,082	\$ 29,874	\$ (193,106,395)		\$ 69,656,214

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

VANDA PHARMACEUTICALS INC.
(A Development Stage Enterprise)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Three Months Ended		Period from
	March 31,	March 31,	March 13,
	2008	2007	2003
			(Inception) to
			March 31,
			2008
Cash flows from operating activities			
Net loss	\$ (19,196,129)	\$ (15,392,760)	\$ (193,106,395)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	122,629	148,671	2,091,484
Employee and non-employee stock-based compensation	5,105,714	4,107,972	36,041,237
Loss on disposal of assets	610		58,241
Accretion of discount on investments	(162,519)	(230,268)	(2,154,674)
Changes in assets and liabilities:			
Prepaid expenses, deposits and other current assets	606,421	109,921	(1,176,179)
Deposits			(150,000)
Accounts payable	(1,355,101)	(767,846)	1,632,978
Accrued expenses	(1,299,209)	(1,419,185)	8,491,785
Other liabilities	68,365	38,361	422,407
Net cash used in operating activities	(16,109,219)	(13,405,134)	(147,849,116)
Cash flows from investing activities			
Purchases of property and equipment	(186,442)	(118,678)	(3,624,175)
Proceeds from sale of property and equipment			200,179
Purchases of marketable securities	(1,485,150)	(65,477,330)	(254,517,812)
Proceeds from sales of marketable securities	2,790,026		88,505,774
Maturities of marketable securities	29,060,000	950,000	147,175,000
Investment in restricted cash			(430,230)
Net cash provided by (used in) investing activities	30,178,434	(64,646,008)	(22,691,264)
Cash flows from financing activities			
Proceeds from borrowings on note payable			515,147
Principal payments on obligations under capital lease			(91,797)
Principal payments on note payable			(515,147)
Proceeds from issuance of preferred stock, net of issuance costs			61,795,187
Proceeds from exercise of stock options and warrants		56,516	307,510
Proceeds from issuance of common stock, net of issuance costs		111,291,219	164,588,801

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Net cash provided by financing activities		111,347,735	226,599,701
Effect of foreign currency translation	16,745	(4,150)	(43,828)
Net increase in cash and cash equivalents	14,085,960	33,292,443	56,015,493
Cash and cash equivalents			
Beginning of period			