

LEXICON PHARMACEUTICALS, INC./DE  
Form 10-Q  
October 30, 2009

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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 September 30, 2009

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: 000-30111

Lexicon Pharmaceuticals, Inc.  
(Exact Name of Registrant as Specified in its Charter)

Delaware	76-0474169
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

8800 Technology Forest Place  
The Woodlands, Texas 77381  
(Address of Principal Executive Offices and Zip Code)

(281) 863-3000  
(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

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(§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

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 October 27, 2009, 175,704,880 shares of the registrant’s common stock, par value \$0.001 per share, were outstanding.

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### Factors Affecting Forward Looking Statements

This quarterly report on Form 10-Q contains forward-looking statements. These statements relate to future events or our future financial performance. We have attempted to identify forward-looking statements by terminology including “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “s” negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks outlined under “Part II, Item 1A. – Risk Factors,” that may cause our or our industry’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels or activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We are not under any duty to update any of the forward-looking statements after the date of this quarterly report on Form 10-Q to conform these statements to actual results, unless required by law.



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## Part I – Financial Information

## Item 1. Financial Statements

## Lexicon Pharmaceuticals, Inc.

Consolidated Balance Sheets  
(In thousands, except par value)

Assets	As of September 30, 2009 (unaudited)	As of December 31, 2008
Current assets:		
Cash and cash equivalents	\$ 62,736	\$ 85,873
Short-term investments, including restricted investments of \$430	56,727	629
Short-term investments held by Symphony Icon, Inc.	5,683	16,610
Accounts receivable, net of allowances of \$35	1,347	568
Prepaid expenses and other current assets	7,217	5,487
Total current assets	133,710	109,167
Long-term investments	—	55,686
Property and equipment, net of accumulated depreciation and amortization of \$74,510 and \$71,102, respectively	60,090	65,087
Goodwill	25,798	25,798
Other assets	4,086	5,770
Total assets	\$ 223,684	\$ 261,508
<b>Liabilities and Equity</b>		
Current liabilities:		
Accounts payable	\$ 3,413	\$ 7,926
Accrued liabilities	6,812	6,615
Current portion of deferred revenue	1,081	5,672
Current portion of long-term debt	38,860	963
Total current liabilities	50,166	21,176
Deferred revenue, net of current portion	14,212	14,212
Long-term debt	28,754	29,529
Other long-term liabilities	653	764
Total liabilities	93,785	65,681
Commitments and contingencies		
Equity:		
Lexicon Pharmaceuticals, Inc. stockholders' equity:		
Preferred stock, \$.01 par value; 5,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$.001 par value; 900,000 and 300,000 shares authorized, respectively; 137,452 and 136,797 shares issued, respectively	137	137
Additional paid-in capital	677,546	672,838
Accumulated deficit	(548,170)	(487,395)

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Accumulated other comprehensive loss	(1)	—
Treasury stock at cost, 80 and no shares, respectively	(88)	—
Total Lexicon Pharmaceuticals, Inc. stockholders' equity	129,424	185,580
Noncontrolling interest in Symphony Icon, Inc.	475	10,247
Total equity	129,899	195,827
Total liabilities and equity	\$ 223,684	\$ 261,508

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

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## Lexicon Pharmaceuticals, Inc.

Consolidated Statements of Operations  
(In thousands, except per share amounts)  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Revenues:				
Collaborative research	\$ 1,650	\$ 7,202	\$ 8,042	\$ 22,789
Subscription and license fees	481	310	1,246	3,182
Total revenues	2,131	7,512	9,288	25,971
Operating expenses:				
Research and development, including stock-based compensation of \$733, \$836, \$2,328, and \$2,913, respectively	19,320	27,344	62,404	84,868
General and administrative, including stock-based compensation of \$547, \$583, \$1,750, and \$1,868, respectively	4,568	4,990	14,993	16,749
Total operating expenses	23,888	32,334	77,397	101,617
Loss from operations	(21,757)	(24,822)	(68,109)	(75,646)
Gain (loss) on investments, net	185	(3,322)	1,008	(3,322)
Interest income	103	956	669	5,155
Interest expense	(785)	(675)	(2,180)	(2,020)
Other expense, net	(516)	(535)	(2,037)	(1,621)
Consolidated net loss before taxes	(22,770)	(28,398)	(70,649)	(77,454)
Income tax benefit	102	—	102	—
Consolidated net loss	(22,668)	(23,398)	(70,547)	(77,454)
Less: Net loss attributable to noncontrolling interest in Symphony Icon, Inc.	3,526	4,939	9,772	16,011
Net loss attributable to Lexicon Pharmaceuticals, Inc.	\$ (19,142)	\$ (23,459)	\$ (60,775)	\$ (61,443)
Net loss attributable to Lexicon Pharmaceuticals, Inc. per common share, basic and diluted				
	\$ (0.14)	\$ (0.17)	\$ (0.44)	\$ (0.45)
Shares used in computing net loss attributable to Lexicon Pharmaceuticals, Inc. per common share, basic and diluted	137,313	136,796	137,240	136,796

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

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## Lexicon Pharmaceuticals, Inc.

Consolidated Statements of Stockholders' Equity  
(In thousands)  
(Unaudited)

	Lexicon Pharmaceuticals, Inc. Stockholders Accumulated								
	Common Stock Shares	Par Value	Additional Paid-In Capital	Accumulated Deficit	Other Comprehensive Loss	Treasury Stock	Total	Noncontrolling Interest	Total Equity
Balance at December 31, 2007	136,796	\$ 137	\$ 666,702	\$ (410,535)	\$ (4)	\$ —	\$ 256,300	\$ 30,271	\$ 286,571
Stock-based compensation	—	—	4,781	—	—	—	4,781	—	4,781
Exercise of common stock options	—	—	1	—	—	—	1	—	1
Net loss	—	—	—	(61,443)	—	—	(61,443)	(16,011)	(77,454)
Unrealized loss on investments	—	—	—	—	42	—	42	—	42
Comprehensive loss							(61,401)		(77,412)
Balance at September 30, 2008	136,796	\$ 137	\$ 671,484	\$ (471,978)	\$ 38	\$ —	\$ 199,681	\$ 14,260	\$ 213,941
Balance at December 31, 2008	136,797	\$ 137	\$ 672,838	\$ (487,395)	\$ —	\$ —	\$ 185,580	\$ 10,247	\$ 195,827
Stock-based compensation	—	—	4,443	—	—	—	4,443	—	4,443
Grant of restricted stock	534	—	—	—	—	—	—	—	—
Exercise of common stock options	121	—	265	—	—	—	265	—	265
Repurchase of common stock	—	—	—	—	—	(88)	(88)	—	(88)
Net loss	—	—	—	(60,775)	—	—	(60,775)	(9,772)	(70,547)
Unrealized loss on investments	—	—	—	—	(1)	—	(1)	—	(1)
Comprehensive loss							(60,776)		(70,548)
Balance at September 30, 2009	137,452	\$ 137	\$ 677,546	\$ (548,170)	\$ (1)	\$ (88)	\$ 129,424	\$ 475	\$ 129,899

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

