

BIODELIVERY SCIENCES INTERNATIONAL INC

Form 10-Q

November 05, 2014

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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, 2014

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 001-31361

BioDelivery Sciences International, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

35-2089858
(I.R.S. Employer
Identification No.)

801 Corporate Center Drive, Suite #210

Raleigh, NC
(Address of principal executive offices)

27607
(Zip Code)

Registrant's telephone number (including area code): 919-582-9050

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, or a non-accelerated filer or a smaller reporting company. See definition 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 (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

As of November 3, 2014, there were 51,301,429 shares of company Common Stock issued and 51,285,938 shares of company Common Stock outstanding.

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BioDelivery Sciences International, Inc. and Subsidiaries

Quarterly Report on Form 10-Q

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	September 30, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 85,793,950	\$ 23,175,809
Accounts receivable	205,229	2,794,040
Inventory	2,023,786	
Prepaid expenses and other current assets	1,435,394	630,657
Total current assets	89,458,359	26,600,506
Equipment, net	1,464,484	178,168
Idle equipment, net	2,738,898	2,844,718
Goodwill	2,715,000	2,715,000
Other intangible assets:		
Licenses	1,900,000	1,900,000
Acquired product rights	9,050,000	9,050,000
Accumulated amortization	(6,481,269)	(5,753,502)
Total other intangible assets	4,468,731	5,196,498
Other assets	235,268	470,535
Total assets	\$ 101,080,740	\$ 38,005,425
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 13,076,126	\$ 10,415,981
Notes payable, current maturities	8,000,000	7,333,333
Deferred revenue, current	842,792	2,927,088
Derivative liabilities	12,579,418	4,315,183
Total current liabilities	34,498,336	24,991,585
Notes payable, less current maturities	6,091,296	11,844,706
Deferred revenue, long-term	5,647,989	1,281,485
Other long-term liabilities	700,000	700,000
Total liabilities	46,937,621	38,817,776
Commitments and contingencies		
Stockholders' equity (deficit):		
Preferred Stock, \$.001 par value; 5,000,000 shares authorized; 2,139,000 and 2,709,300 shares of Series A Non-Voting Convertible Preferred Stock	2,139	2,709

outstanding at September 30, 2014 and December 31, 2013, respectively.

Common Stock, \$.001 par value; 75,000,000 shares authorized; 50,584,518 and 38,204,384 shares issued; 50,569,027 and 38,188,893 shares outstanding at September 30, 2014 and December 31, 2013, respectively	50,585	38,204
Additional paid-in capital	242,022,624	150,506,927
Treasury stock, at cost, 15,491 shares	(47,183)	(47,183)
Accumulated deficit	(187,885,046)	(151,313,008)
 Total stockholders' equity (deficit)	 54,143,119	 (812,351)
 Total liabilities and stockholders' equity (deficit)	 \$ 101,080,740	 \$ 38,005,425

See notes to condensed consolidated financial statements

Table of Contents**BIODELIVERY SCIENCES INTERNATIONAL, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues:				
Product royalties	\$ 11,832	\$ 924,272	\$ 1,857,920	\$ 1,779,373
Research and development reimbursements	1,297,761		12,067,324	
Contract revenues	512,774	2,072,590	22,471,502	5,603,516
Total Revenues:	1,822,367	2,996,862	36,396,746	7,382,889
Cost of sales	462,802	643,486	1,875,365	1,708,693
Expenses:				
Research and development	6,769,698	16,387,194	29,375,895	41,177,577
Selling, general and administrative	13,648,648	3,049,005	25,532,632	9,099,515
Total Expenses:	20,418,346	19,436,199	54,908,527	50,277,092
Loss from operations	(19,058,781)	(17,082,823)	(20,387,146)	(44,602,896)
Interest expense, net	(514,718)	(450,328)	(1,588,736)	(281,812)
Derivative (loss) gain	(5,684,893)	(917,863)	(14,630,675)	499,671
Other income (expense), net	2,134	(35,433)	34,519	(154,061)
Net loss before taxes	(25,256,258)	(18,486,447)	(36,572,038)	(44,539,098)
Income tax expense				(85,000)
Net loss attributable to common stockholders	\$ (25,256,258)	\$ (18,486,447)	\$ (36,572,038)	\$ (44,624,098)
Basic earnings per share:	\$ (0.51)	\$ (0.49)	\$ (0.77)	\$ (1.18)
Diluted earnings per share:	\$ (0.51)	\$ (0.49)	\$ (0.77)	\$ (1.18)
Weighted average common stock shares outstanding:	49,555,815	38,076,606	47,391,040	37,864,248

See notes to condensed consolidated financial statements

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BIODELIVERY SCIENCES INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY (DEFICIT)
FOR THE NINE MONTHS ENDED SEPTEMBER, 30, 2014
(Unaudited)

	Preferred Stock Series A		Common Stock		Additional Paid-In	Treasury	Accumulated	Total
	Shares	Amount	Shares	Amount	Capital	Stock	Deficit	Stockholders Equity (Deficit)
Balances, January 1, 2014	2,709,300	\$ 2,709	38,204,384	\$ 38,204	\$ 150,506,927	\$ (47,183)	\$ (151,313,008)	\$ (812,351)
Stock-based compensation					4,857,230			4,857,230
Restricted stock awards			473,893	474	(474)			
Exercise of stock options			1,331,063	1,331	4,571,588			4,572,919
Exercise of warrants			1,099,012	1,099	4,929,697			4,930,796
Cashless exercise of warrants			218,367	219	(219)			
Shares issued pursuant to registered direct offering, net			7,500,000	7,500	58,173,672			58,181,172
Shares issued pursuant to an at the market offering, net			1,187,499	1,188	12,535,426			12,536,614
Warrant derivative liability reclassified to equity					6,366,440			6,366,440
Short swing profit return					82,337			82,337
Conversion of preferred shares to common shares	(570,300)	(570)	570,300	570				

Net loss (36,572,038) (36,572,038)

Balances, September 30, 2014	2,139,000	\$ 2,139	50,584,518	\$ 50,585	\$ 242,022,624	\$(47,183)	\$(187,885,046)	\$ 54,143,119
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See notes to condensed consolidated financial statements

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	Nine months Ended September 30,	
	2014	2013
Operating activities:		
Net loss	\$ (36,572,038)	\$ (44,624,098)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization	783,127	936,231
Debt costs	481,858	101,975
Derivative loss (gain)	14,630,675	(499,671)
Purchase of Arcion license with common stock		2,072,136
Stock-based compensation expense	4,857,230	2,487,730
Changes in assets and liabilities:		
Accounts receivable	2,588,811	(364,636)
Inventory	(2,023,786)	
Prepaid expenses and other assets	(804,738)	(131,660)
Accounts payable and accrued liabilities	2,977,872	299,974
Income tax payable		85,000
Deferred revenue	2,282,208	(5,303,516)
Net cash flows from operating activities	(10,798,781)	(44,940,535)
Investing activities:		
Purchase of equipment	(1,553,583)	(5,521)
Net cash flows from investing activities	(1,553,583)	(5,521)
Financing activities:		
Proceeds from sale of common stock	70,717,786	
Proceeds from exercise of stock options	4,572,919	347,434
Proceeds from notes payable and warrants		20,000,000
Deferred financing fees		(224,917)
Proceeds from exercise of common stock warrants	4,930,796	
Payment of notes payable	(5,333,333)	
Return of short swing profits	82,337	
Change in amounts due to related parties		(69,706)
Net cash flows from financing activities		