Vanda Pharmaceuticals Inc.
Form 424B5
March 16, 2018
Table of Contents

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-205513

PROSPECTUS SUPPLEMENT

(to Prospectus dated July 21, 2015)

5,500,000 Shares

Common Stock

We are offering 5,500,000 shares of our common stock. Our common stock is listed on The Nasdaq Global Market under the symbol VNDA. The last sale price of our common stock on March 13, 2018, as reported by The Nasdaq Global Market, was $20.20 per share.

Investing in our common stock involves a high degree of risk. See Risk Factors beginning on page S-7 of this prospectus supplement and page 9 of the accompanying prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	$ 17.00	$ 93,500,000
Underwriting discount	$ 1.02	$ 5,610,000
Proceeds, before expenses, to Vanda Pharmaceuticals Inc.	$ 15.98	$ 87,890,000

Delivery of the shares of common stock is expected to be made on or about March 20, 2018. We have granted the underwriters an option for a period of 30 days to purchase up to an additional 825,000 shares of our common stock. If the underwriters exercise the option in full, the total underwriting discounts and commissions payable by us will be $6,451,500 and the total proceeds to us, before expenses, will be $101,073,500.

Joint Book-Running Managers

Citigroup **Jefferies** **Stifel**

Lead Manager

JMP Securities

Co-Manager

Oppenheimer & Co.

Prospectus Supplement dated March 15, 2018.

Table of Contents

TABLE OF CONTENTS

Prospectus Supplement

Prospectus

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering of common stock and related matters. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering of common stock. To the extent the information contained in this prospectus supplement differs or varies from the information contained in the accompanying prospectus or any document incorporated by reference, the information in this prospectus supplement shall control.

All references in this prospectus supplement and the accompanying prospectus to Vanda, Vanda Pharmaceuticals, the Company, we, us, our, or similar references refer to Vanda Pharmaceuticals Inc. and its subsidiaries on a consolida basis, except where the context otherwise requires or as otherwise indicated.

You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free-writing prospectus that we authorize to be distributed to you. We have not, and the underwriters have not, authorized anyone to provide you with different information. This prospectus supplement and the accompanying prospectus are not an offer to sell, nor are they seeking an offer to buy, these securities in any jurisdiction where the offer or sale is not permitted. The information in this prospectus supplement and the accompanying prospectus are complete and accurate as of the date the information is presented, but the information may have changed since that date.

Vanda is a trademark of Vanda Pharmaceuticals Inc. This prospectus may also include other registered and unregistered trademarks of Vanda Pharmaceuticals Inc. and other persons.

Table of Contents

SUMMARY

The following summary is qualified in its entirety by, and should be read together with, the more detailed information and financial statements and related notes thereto appearing elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus. Before you decide to invest in our common stock, you should read the entire prospectus supplement and the accompanying prospectus carefully, including the risk factors and the financial statements and related notes incorporated by reference in this prospectus supplement and the accompanying prospectus.

Vanda Pharmaceuticals Inc.

Company Overview

Vanda Pharmaceuticals Inc. is a global biopharmaceutical company focused on the development and commercialization of innovative therapies to address high unmet medical needs and improve the lives of patients. We commenced operations in 2003 and our product portfolio includes:

HETLIOZ® (tasimelteon), a product for the treatment of Non-24-Hour Sleep-Wake Disorder (Non-24), was approved by the U.S. Food and Drug Administration (FDA) in January 2014 and launched commercially in the U.S. in April 2014. In July 2015, the European Commission (EC) granted centralized marketing authorization with unified labeling for HETLIOZ® for the treatment of Non-24 in totally blind adults. HETLIOZ® was commercially launched in Germany in August 2016. HETLIOZ® has potential utility in a number of other circadian rhythm disorders and is presently in clinical development for the treatment of Pediatric Non-24, Jet Lag Disorder and Smith-Magenis Syndrome (SMS). In March 2018, we announced results from our JET8 Phase-III clinical study (3107) (the JET8 study) of HETLIOZ® for Jet Lag Disorder. HETLIOZ® demonstrated significant and clinically meaningful benefits in nighttime and daytime symptoms of Jet Lag Disorder in the JET8 study.

Fanapt® (iloperidone), a product for the treatment of schizophrenia, the oral formulation of which was approved by the FDA in May 2009 and launched commercially in the U.S. by Novartis Pharma AG (Novartis) in January 2010. Novartis transferred all the U.S. and Canadian commercial rights to the Fanapt® franchise to us on December 31, 2014. Additionally, our distribution partners launched Fanapt® in Israel and Mexico in 2014. Fanapt® has potential utility in a number of other disorders. An assessment of new Fanapt® clinical opportunities is ongoing.

Tradipitant (VLY-686), a small molecule neurokinin-1 receptor (NK-1R) antagonist, which is presently in clinical development for the treatment of chronic pruritus in atopic dermatitis and gastroparesis.

VTR-297 (formerly Trichostatin A), a small molecule histone deacetylase (HDAC) inhibitor.

VQW-765 (formerly AQW-051), a Phase II alpha-7 nicotinic acetylcholine receptor partial agonist.

Portfolio of Cystic Fibrosis Transmembrane Conductance Regulator (CFTR) activators and inhibitors. Since we began operations in March 2003, we have devoted substantially all of our resources to the in-licensing, clinical development and commercialization of our products. Our ability to generate meaningful product sales and achieve profitability largely depends on our level of success in commercializing HETLIOZ® in the U.S. and Europe and Fanapt® in the U.S., alone or with others, to complete the development of our products, and to obtain the regulatory approvals for and to manufacture, market and sell our products. The results of our operations will vary significantly from year-to-year and quarter-to-quarter and depend on a number of factors, including risks related to our business, risks related to our industry, and other risks which are detailed in Risk Factors starting on page S-7 of this prospectus supplement.

Table of Contents

Our activities will necessitate significant uses of working capital in 2018 and beyond. We are currently concentrating our efforts on selling HETLIOZ® and Fanapt® in the U.S. and our continued commercialization of HETLIOZ® in Europe. Additionally, we continue to pursue market approval of HETLIOZ® and Fanapt® in other regions. We will continue to work with our distribution partners on the commercialization of Fanapt® outside the U.S. We see opportunities to grow our commercial products through life cycle management strategies that include the addition of new indications and formulations. We have built a research and development organization that includes extensive expertise in the scientific disciplines of pharmacogenetics and pharmacogenomics. We operate cross-functionally and are led by an experienced research and development management team. Our pipeline includes novel programs that could address largely unmet medical needs.

Our founder and Chief Executive Officer, Mihael H. Polymeropoulos, M.D., started Vanda s operations in early 2003 after establishing and leading the Pharmacogenetics Department at Novartis. In acquiring and developing our products, we have relied upon our deep expertise in the scientific disciplines of pharmacogenetics and pharmacogenomics. These scientific disciplines examine both genetic variations among people that influence response to a particular drug, and the multiple pathways through which drugs affect people.

Our goal is to create a leading global biopharmaceutical company focused on developing and commercializing innovative therapies addressing high unmet medical needs through the application of our drug development expertise and our pharmacogenetics and pharmacogenomics expertise. The key elements of our strategy to accomplish this goal are to:

Maximize the commercial success of HETLIOZ® and Fanapt®;

Enter into strategic partnerships to supplement our capabilities and to extend our commercial reach;

Pursue the clinical development and regulatory approval of our products;

Apply our pharmacogenetics and pharmacogenomics expertise to differentiate our products; and

Expand our product portfolio through the identification and acquisition of additional products.

Corporate Information

Vanda was incorporated in Delaware in 2002. Our principal executive offices are located at 2200 Pennsylvania Avenue N.W., Suite 300E, Washington D.C. 20037, and our telephone number is (202) 734-3400. Our website address is www.vandapharma.com. We do not incorporate the information on our website into this prospectus supplement and the accompanying prospectus and you should not consider it part of this prospectus supplement and the accompanying prospectus.

Table of Contents

THE OFFERING

Common stock we are offering	5,500,000 shares of common stock.
Option to purchase additional shares	We have granted the underwriters an option for a period of up to 30 days from the date of this prospectus supplement to purchase up to 825,000 additional shares of common stock at the public offering price less the underwriting discounts and commissions.
Offering price	$17.00 per share of common stock.
Common stock to be outstanding after this offering	50,438,133 shares (or 51,263,133 shares if the underwriters exercise in full their option to purchase additional shares).
Use of proceeds	We intend to use the net proceeds from this offering for commercial, research and development activities and for other general corporate purposes. These activities include the development of tradipitant for the treatment of chronic pruritus in atopic dermatitis, gastroparesis and other indications. We may also use a portion of the net proceeds to acquire or invest in businesses, products or technologies that we believe are complementary to our own. See the section titled Use of Proceeds.
Risk Factors	You should read the Risk Factors section of this prospectus supplement and in the documents incorporated by reference in this prospectus supplement for a discussion of factors to consider before deciding to purchase shares of our common stock.
Nasdaq Global Market symbol	VNDA

Each share of common stock purchased in this offering will have associated with it one preferred stock purchase right of our Series A Junior Participating Preferred Stock pursuant to the Rights Agreement dated September 25, 2008, as amended.

The number of shares of common stock that will be outstanding immediately after this offering as shown above is based on 44,938,133 shares of common stock outstanding as of December 31, 2017 and excludes (each as of December 31, 2017):

- 4,719,784 shares of common stock issuable upon the exercise of outstanding options under our 2006 Equity Incentive Plan (the 2006 Plan) and Amended and Restated 2016 Equity Incentive Plan (the 2016 Plan, and

together with the 2006 Plan, the Equity Plans), with a weighted average exercise price of $10.03 per share;

1,357,838 shares of common stock issuable upon the vesting and settlement of outstanding restricted stock units; and

3,168,565 shares of common stock reserved for future issuance under the Equity Plans.

Table of Contents

Unless otherwise indicated, all information in this prospectus assumes:

- that the underwriters do not exercise their option to purchase up to 825,000 additional shares of our common stock; and

- no options, restricted stock units, warrants, or shares of common stock were issued after December 31, 2017, and no outstanding options were exercised after December 31, 2017 and no outstanding restricted stock units vested or settled after such date.

Table of Contents

SUMMARY CONSOLIDATED FINANCIAL DATA

The following tables present our summary consolidated statements of operations data for the periods presented. The following table sets forth our selected consolidated financial statements at the dates and for the periods presented. The financial information for the fiscal years ended December 31, 2017, 2016 and 2015 has been derived from our audited financial statements. You should read this information in conjunction with our consolidated financial statements, including the related notes, and Management s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2017. Our historical results are not necessarily indicative of the results that may be expected in the future.

Consolidated Statements of Operations Data:	**Year Ended December 31,**		
(in thousands, except for share and per share amounts)	**2017**	**2016**	**2015**
Revenues:			
Net product sales	$ 165,083	$ 146,017	$ 109,925
Total revenues	165,083	146,017	109,925
Operating expenses:			
Cost of goods sold, excluding amortization	17,848	24,712	23,462
Research and development	38,547	29,156	29,145
Selling, general and administrative	123,841	99,787	84,531
Intangible asset amortization	1,750	10,933	12,972
Total operating expenses	181,986	164,588	150,110
Loss from operations	(16,903)	(18,571)	(40,185)
Other income	1,472	665	320
Loss before income taxes	(15,431)	(17,906)	(39,865)
Provision for income taxes	136	104	
Net loss	$ (15,567)	$ (18,010)	$ (39,865)
Net loss per share:			
Basic	$ (0.35)	$ (0.41)	$ (0.94)
Diluted	$ (0.35)	$ (0.41)	$ (0.94)
Weighted average shares outstanding:			
Basic	44,735,146	43,449,441	42,250,254
Diluted	44,735,146	43,449,441	42,250,254

Table of Contents

The following table presents selected consolidated balance sheet data as of December 31, 2017, which has been derived from our audited financial statements, on an actual basis and on an as adjusted basis to reflect the sale of 5,500,000 shares of our common stock in this offering at a public offering price of $17.00 per share, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

Consolidated Balance Sheet Data: ***(in thousands, except for share and per share amounts)***	**December 31, 2017 Actual**	**December 31, 2017 As Adjusted**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 33,627	$ 121,217
Marketable securities	109,786	109,786
Accounts receivable, net	17,601	17,601
Inventory	840	840
Prepaid expenses and other current assets	8,003	8,003
Total current assets	169,857	257,447
Property and equipment, net	5,306	5,306
Intangible assets, net	26,069	26,069
Non-current inventory and other	4,193	4,193
Total assets	$ 205,425	$ 293,015
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 20,335	$ 20,335
Accrued government and other rebates	23,028	23,028
Milestone obligations under license agreements	27,000	27,000
Total current liabilities	70,363	70,363
Milestone obligations under license agreements		
Other non-current liabilities	3,675	3,675
Total liabilities	74,038	74,038
Stockholders equity:		
Preferred stock, $0.001 par value; 20,000,000 shares authorized and no shares issued and outstanding		
Common stock, $0.001 par value; 150,000,000 shares authorized and 44,938,133 shares issued and outstanding, actual; 50,438,133 shares issued and outstanding, as adjusted	45	50
Additional paid-in capital	492,802	580,387
Accumulated other comprehensive loss	(34)	(34)
Accumulated deficit	(361,426)	(361,426)
Total stockholders equity	131,387	218,977

Total liabilities and stockholders equity	$ 205,425	$ 293,015

Table of Contents

RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the risks described under Risk Factors in our most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, and all of the other information contained in this prospectus supplement and the accompanying prospectus, and incorporated by reference into this prospectus supplement and the accompanying prospectus, including our financial statements and related notes, before investing in our common stock. If any of the possible events described below or in those sections actually occur, our business, business prospects, cash flow, results of operations or financial condition could be harmed, the trading price of our common stock could decline, and you might lose all or part of your investment in our common stock. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our operations and results.

Risks related to this offering and our common stock

Our stock price has been volatile and may be volatile in the future, and purchasers of our common stock could incur substantial losses.

The realization of any of the risks described in these risk factors or other unforeseen risks could have a dramatic and adverse effect on the market price of our common stock. Between January 1, 2018 and March 13, 2018, the high and low sales prices of our common stock as reported on The Nasdaq Global Market varied between $13.75 and $20.20 per share. Additionally, market prices for securities of biotechnology and pharmaceutical companies, including ours, have historically been very volatile. The market for these securities has from time to time experienced significant price and volume fluctuations for reasons that were unrelated to the operating performance of any one company.

The following factors, in addition to the other risk factors described in this section and in the documents incorporated by reference in this prospectus supplement, may also have a significant impact on the market price of our common stock:

- our or our partners level of success in commercializing our products;
- our level of success in executing our commercialization strategies;
- publicity regarding actual or potential testing or trial results relating to products under development by us or our competitors;
- the outcome of regulatory review relating to products under development by us or our competitors;
- regulatory developments in the U.S. and foreign countries;
- developments concerning any collaboration or other strategic transaction we may undertake;

publicity regarding actual or potential litigation involving us;

announcements of patent issuances or denials, technological innovations or new commercial products by us or our competitors;

termination or delay of development or commercialization program(s) by our partners;

safety issues with our products or those of our competitors;

announcements of technological innovations or new therapeutic products or methods by us or others;

actual or anticipated variations in our quarterly operating results;

changes in estimates of our financial results or recommendations by securities analysts or failure to meet such financial expectations;

changes in government regulations or policies;

Table of Contents

changes in patent legislation or patent decisions or adverse changes to patent law;

additions or departures of key personnel or members of our board of directors;

the publication of negative research or articles about our company, our business or our products by industry analysts or others;

market rumors or press reports;

publicity regarding actual or potential transactions involving us; and

economic, political and other external factors beyond our control.

We have been and may in the future be subject to litigation, which could harm our stock price, business, results of operations and financial condition.

We have been the subject of litigation in the past and may be subject to litigation in the future. In the past, following periods of volatility in the market price of their stock, many companies, including us, have been the subjects of securities class action litigation. Any such litigation can result in substantial costs and diversion of management s attention and resources and could harm our stock price, business results of operations and financial condition. As a result of these factors, holders of our common stock might be unable to sell their shares at or above the price they paid for such shares.

If there are substantial sales of our common stock, our stock price could decline.

A small number of institutional investors and private equity funds hold a significant number of shares of our common stock. Sales by these stockholders of a substantial number of shares, or the expectation of such sales, could cause a significant reduction in the market price of our common stock.

In addition to our outstanding common stock, as of December 31, 2017, there were a total of 6,077,622 shares of common stock that we have registered and that we are obligated to issue upon the exercise of currently outstanding options and settlement of restricted stock unit awards granted under our Equity Plans. Upon the exercise of these options or settlement of the shares underlying these restricted stock units, as the case may be, in accordance with their respective terms, these shares may be resold freely, subject to restrictions imposed on our affiliates under Rule 144. If significant sales of these shares occur in short periods of time, these sales could reduce the market price of our common stock. Any reduction in the trading price of our common stock could impede our ability to raise capital on attractive terms, if at all.

Our management will have broad discretion over the use of the proceeds we receive in this offering and might not apply the proceeds in ways that increase the value of your investment.

Our management will have broad discretion to use the net proceeds from this offering, and you will be relying on the judgment of our management regarding the application of the net proceeds. They might not apply the net proceeds of this offering in ways that increase the value of your investment. Our management might not be able to yield a

significant return, if any, on any investment of these net proceeds. You will not have the opportunity to influence our decisions on how to use the proceeds.

If we fail to maintain the requirements for continued listing on The Nasdaq Global Market, our common stock could be delisted from trading, which would adversely affect the liquidity of our common stock and our ability to raise additional capital.

Our common stock is currently listed for quotation on The Nasdaq Global Market. We are required to meet specified listing criteria in order to maintain our listing on The Nasdaq Global Market. If we fail to satisfy The Nasdaq Global Market s continued listing requirements, our common stock could be delisted from The Nasdaq

Table of Contents

Global Market, in which case we may transfer to The Nasdaq Capital Market, which generally has lower financial requirements for initial listing or, if we fail to meet its listing requirements, the over-the-counter bulletin board. Any potential delisting of our common stock from The Nasdaq Global Market would make it more difficult for our stockholders to sell our stock in the public market and would likely result in decreased liquidity and increased volatility for our common stock.

If securities or industry analysts do not publish research or reports or publish unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. We currently have research coverage by securities and industry analysts. If one or more of the analysts who covers us downgrades our stock, our stock price would likely decline. If one or more of these analysts ceases coverage of our Company or fails to regularly publish reports on us, interest in the purchase of our stock could decrease, which could cause our stock price or trading volume to decline.

You will experience immediate and substantial dilution.

The offering price per share in this offering may exceed the net tangible book value per share of our common stock outstanding prior to this offering. Based on the sale of 5,500,000 shares of our common stock at the public offering price of $17.00 per share, for aggregate net proceeds of approximately $87.6 million, after deducting underwriting discounts and commissions and estimated aggregate offering expenses payable by us, you will experience immediate dilution of $13.18 per share, representing the difference between our as adjusted net tangible book value per share as of December 31, 2017 after giving effect to this offering and the public offering price. In addition, we are not restricted from issuing additional securities in the future, including shares of common stock, securities that are convertible into or exchangeable for, or that represent the right to receive, common stock or substantially similar securities. The issuance of these securities may cause further dilution to our stockholders. The exercise of outstanding stock options and the vesting of outstanding restricted stock units may also result in further dilution of your investment. See the section entitled Dilution on page S-20 below for a more detailed illustration of the dilution you may incur if you participate in this offering.

You may experience future dilution as a result of future equity offerings.

In order to raise additional capital, we may in the future offer additional shares of our common stock or other securities convertible into or exchangeable for our common stock at prices that may not be the same as the price per share in this offering. We may sell shares or other securities in any other offering at a price per share that is less than the price per share paid by investors in this offering, and investors purchasing shares or other securities in the future could have rights superior to existing stockholders. The price per share at which we sell additional shares of our common stock, or securities convertible or exchangeable into common stock, in future transactions may be higher or lower than the price per share paid by investors in this offering.

Our business could be negatively affected as a result of the actions of activist stockholders.

Proxy contests have been waged against many companies in the biopharmaceutical industry, including us, over the last several years. If faced with a proxy contest or other type of shareholder activism, we may not be able to respond successfully to the contest or dispute, which would be disruptive to our business. Even if we are successful, our business could be adversely affected by a proxy contest or shareholder dispute involving us or our partners because:

responding to proxy contests and other actions by activist stockholders can be costly and time-consuming, disrupting operations and diverting the attention of management and employees;

Table of Contents

perceived uncertainties as to future direction may result in the loss of potential acquisitions, collaborations or in-licensing opportunities, and may make it more difficult to attract and retain qualified personnel and business partners; and

if individuals are elected to a board of directors with a specific agenda, it may adversely affect our ability to effectively and timely implement our strategic plan and create additional value for our stockholders.

These actions could cause our stock price to experience periods of volatility and negatively affect our business.

Anti-takeover provisions in our charter and bylaws and under Delaware law, and our rights plan could prevent or delay a change in control of our company.

We are a Delaware corporation and the anti-takeover provisions of Section 203 of the Delaware General Corporation Law may discourage, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change of control would be beneficial to our existing stockholders. In addition, our amended and restated certificate of incorporation and bylaws may discourage, delay or prevent a change in our management or control over us that stockholders may consider favorable. Our amended and restated certificate of incorporation and bylaws:

authorize the issuance of blank check preferred stock that could be issued by our board of directors to thwart a takeover attempt;

do not provide for cumulative voting in the election of directors, which would allow holders of less than a majority of the stock to elect some directors;

establish a classified board of directors, as a result of which the successors to the directors whose terms have expired will be elected to serve from the time of election and qualification until the third annual meeting following their election;

require that directors only be removed from office for cause;

provide that vacancies on the board of directors, including newly-created directorships, may be filled only by a majority vote of directors then in office;

limit who may call special meetings of stockholders;