

PALATIN TECHNOLOGIES INC
Form 10-Q
February 12, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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 December 31, 2015

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: 001-15543

PALATIN TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware	95-4078884
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4B Cedar Brook Drive	
Cranbury, New Jersey	08512
(Address of principal executive offices)	(Zip Code)

(609) 495-2200

(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

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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

As of February 10, 2016, 68,030,008 shares of the registrant's common stock, par value \$0.01 per share, were outstanding.

PALATIN TECHNOLOGIES, INC.
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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements in this quarterly report on Form 10-Q, as well as oral statements that may be made by us or by our officers, directors, or employees acting on our behalf, that are not historical facts constitute “forward-looking statements”, which are made pursuant to the safe harbor provisions of Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). The forward-looking statements in this quarterly report on Form 10-Q do not constitute guarantees of future performance. Investors are cautioned that statements that are not strictly historical statements contained in this quarterly report on Form 10-Q, including, without limitation, the following are forward looking statements:

estimates of our expenses, future revenue, capital requirements;

our ability to obtain additional financing on terms acceptable to us, or at all;

our ability to advance product candidates into, and successfully complete, clinical trials;

the initiation, timing, progress and results of future preclinical studies and clinical trials, and our research and development programs;

the timing or likelihood of regulatory filings and approvals;

our expectations regarding the results and the timing of results in our Phase 3 clinical trials of bremelanotide for female sexual dysfunction, or FSD;

our expectation regarding the timing of our regulatory submissions for approval of bremelanotide for FSD in the United States and Europe;

the potential for commercialization of bremelanotide for FSD and other product candidates, if approved, by us;

our expectations regarding the potential market size and market acceptance for bremelanotide for FSD and our other product candidates, if approved for commercial use;

our ability to compete with other products and technologies similar to our product candidates;

the ability of our third-party collaborators to timely carry out their duties under their agreements with us;

the ability of our contract manufacturers to perform their manufacturing activities for us in compliance with applicable regulations;

our ability to recognize the potential value of our licensing arrangements with third parties;

the potential to achieve revenues from the sale of our product candidates;

our ability to obtain adequate reimbursement from Medicare, Medicaid, private insurers and other healthcare payers;

our ability to maintain product liability insurance at a reasonable cost or in sufficient amounts, if at all;

the retention of key management, employees and third-party contractors;

the scope of protection we are able to establish and maintain for intellectual property rights covering our product candidates and technology;

our compliance with federal and state laws and regulations;

the timing and costs associated with obtaining regulatory approval for our product candidates;

the impact of fluctuations in foreign exchange rates;

the impact of legislative or regulatory healthcare reforms in the United States;

our ability to adapt to changes in global economic conditions; and

our ability to remain listed on the NYSE MKT.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause our actual results to be materially different from historical results or from any results expressed or implied by such forward-looking statements. Our future operating results are subject to risks and uncertainties and are dependent upon many factors, including, without limitation, the risks identified in this report, in our annual report on Form 10-K for the year ended June 30, 2015, and in our other Securities and Exchange Commission (SEC) filings.

We expect to incur losses in the future as a result of spending on our planned development programs and results may fluctuate significantly from quarter to quarter.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

PALATIN TECHNOLOGIES, INC.
and Subsidiary
Consolidated Balance Sheets
(unaudited)

	December 31, 2015	June 30, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$31,990,606	\$27,299,268
Available-for-sale investments	1,377,633	-
Prepaid expenses and other current assets	1,716,058	1,896,747
Total current assets	35,084,297	29,196,015
Property and equipment, net	118,660	123,158
Other assets	191,074	155,279
Total assets	\$35,394,031	\$29,474,452
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$2,376,279	\$1,106,484
Accrued expenses	5,646,697	6,223,483
Notes payable, net of discount	1,909,821	-
Capital lease obligations	26,636	25,871
Total current liabilities	9,959,433	7,355,838
Notes payable, net of discount, net of current portion	17,665,725	9,781,086
Capital lease obligations	28,236	41,749
Other non-current liabilities	265,217	91,304
Total liabilities	27,918,611	17,269,977
Stockholders' equity:		
Preferred stock of \$0.01 par value – authorized 10,000,000 shares; Series A Convertible; issued and outstanding 4,030 shares as of December 31, 2015 and 4,697 shares as of June 30, 2015, respectively	40	47
Common stock of \$0.01 par value – authorized 300,000,000 shares; issued and outstanding 68,030,008 shares as of December 31, 2015 and 57,128,433 shares as of June 30, 2015, respectively	680,300	571,284
Additional paid-in capital	324,163,388	303,332,460
Accumulated other comprehensive loss	(9,389)	-
Accumulated deficit	(317,358,919)	(291,699,316)
Total stockholders' equity	7,475,420	12,204,475
Total liabilities and stockholders' equity	\$35,394,031	\$29,474,452

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

PALATIN TECHNOLOGIES, INC.
and Subsidiary
Consolidated Statements of Operations
(unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2015	2014	2015	2014
REVENUES:				
License revenue	\$-	\$8,019,415	\$-	\$12,951,730
OPERATING EXPENSES:				
Research and development	11,272,307	4,273,571	21,870,021	7,197,537
General and administrative	1,356,117	1,423,206	2,556,054	2,537,667
Total operating expenses	12,628,424	5,696,777	24,426,075	9,735,204
(Loss) income from operations	(12,628,424)	2,322,638	(24,426,075)	3,216,526
OTHER INCOME (EXPENSE):				
Interest income	8,234	6,199	23,974	9,998
Interest expense	(629,494)	(31,857)	(1,257,502)	(33,587)
Foreign exchange transaction loss	-	(51,700)	-	(152,983)
Total other income (expense), net	(621,260)	(77,358)	(1,233,528)	(176,572)
(Loss) income before income taxes	(13,249,684)	2,245,280	(25,659,603)	3,039,954
Income tax benefit	-	531,508	-	531,508
NET (LOSS) INCOME	(13,249,684)	2,776,788	(25,659,603)	3,571,462
Basic net (loss) income per common share	\$(0.08)	\$0.03	\$(0.16)	\$0.03
Diluted net (loss) income per common share	\$(0.08)	\$0.03	\$(0.16)	\$0.03
Weighted average number of common shares outstanding used in computing basic net (loss) income per common share	156,358,586	109,314,460	156,268,094	108,134,179
Weighted average number of common shares outstanding used in computing diluted net (loss) income per common share	156,358,586	109,815,718	156,268,094	108,888,313

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

PALATIN TECHNOLOGIES, INC.
and Subsidiary
Consolidated Statements of Comprehensive (Loss) Income
(unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2015	2014	2015	2014
Net (loss) income	\$(13,249,684)	\$2,776,788	\$(25,659,603)	\$3,571,462
Other comprehensive (loss) income:				
Unrealized (loss) on available-for-sale investments	(9,389)	-	(9,389)	-
Total comprehensive (loss) income	\$(13,259,073)	\$2,776,788	\$(25,668,992)	\$3,571,462

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

PALATIN TECHNOLOGIES, INC.
and Subsidiary
Consolidated Statements of Cash Flows
(unaudited)

	Six Months Ended December 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	\$(25,659,603)	\$3,571,462
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation and amortization	22,193	55,185
Non-cash interest expense	161,478	8,486
Stock-based compensation	800,748	512,390
Changes in operating assets and liabilities:		
Accounts receivable	-	(3,035,400)
Prepaid expenses and other assets	229,186	(1,255,646)
Accounts payable	1,269,795	1,152,758
Accrued expenses	(445,111)	1,412,699
Deferred revenue	-	(1,000,000)
Other non-current liabilities	173,913	-
Net cash (used in) provided by operating activities	(23,447,401)	1,421,934
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,387,022)	-
Purchases of property and equipment	(17,695)	-
Net cash used in investing activities	(1,404,717)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital lease obligations		