

AGENUS INC  
Form 10-Q  
November 07, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2018

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: 000-29089

Agenus Inc.

(exact name of registrant as specified in its charter)

Delaware 06-1562417  
(State or other jurisdiction of (I.R.S. Employer

incorporation or organization) Identification No.)

3 Forbes Road, Lexington, Massachusetts 02421

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code:

(781) 674-4400

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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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
Emerging growth company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares outstanding of the issuer’s Common Stock as of November 2, 2018: 119,982,965 shares

Agenus Inc.

Nine Months Ended September 30, 2018

Table of Contents

	Page
PART I	
ITEM 1. <u>Financial Statements:</u>	2
<u>Condensed Consolidated Balance Sheets as of September 30, 2018 (Unaudited) and December 31, 2017</u>	2
<u>Condensed Consolidated Statements of Operations and Comprehensive Loss for the three and nine months ended September 30, 2018 and 2017 (Unaudited)</u>	3
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2018 and 2017 (Unaudited)</u>	4
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	5
ITEM 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	23
ITEM 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	28
ITEM 4. <u>Controls and Procedures</u>	29
PART II	
ITEM <u>Risk Factors</u>	
1A.	30
ITEM 6. <u>Exhibits</u>	53
<u>Signatures</u>	54

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## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

## AGENUS INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	September 30, 2018	December 31, 2017
<b>ASSETS</b>		
Cash and cash equivalents	\$46,169,404	\$60,186,617
Inventories	55,491	79,491
Accounts receivable	6,068,854	1,134,493
Prepaid expenses	14,530,053	11,070,960
Other current assets	811,925	1,081,993
Total current assets	67,635,727	73,553,554
Property, plant and equipment, net of accumulated amortization and depreciation of		
\$37,108,300 and \$34,029,085 at September 30, 2018 and December 31, 2017, respectively	25,838,782	26,178,622
Goodwill	22,959,112	23,048,804
Acquired intangible assets, net of accumulated amortization of \$6,998,903 and		
\$5,461,834 at September 30, 2018 and December 31, 2017, respectively	12,827,224	14,406,650
Other long-term assets	1,214,394	1,214,394
Total assets	\$130,475,239	\$138,402,024
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current portion, long-term debt	\$146,061	\$20,639,735
Current portion, liability related to sale of future royalties and milestones	23,920,667	—
Current portion, deferred revenue	843,150	4,484,882
Accounts payable	11,146,451	8,086,992
Accrued liabilities	21,665,078	21,569,449
Other current liabilities	468,978	1,657,063
Total current liabilities	58,190,385	56,438,121
Long-term debt, net of current portion	13,053,895	142,385,024
Liability related to sale of future royalties and milestones, net of current portion	183,322,966	—
Deferred revenue, net of current portion	1,469,131	7,748,284
Contingent purchase price considerations	2,917,000	4,373,000
Other long-term liabilities	2,914,480	3,273,387
Commitments and contingencies		
<b>STOCKHOLDERS' DEFICIT</b>		
Preferred stock, par value \$0.01 per share; 5,000,000 shares authorized:		
Series A-1 convertible preferred stock; 31,620 shares designated, issued, and	316	316
outstanding at September 30, 2018 and December 31, 2017; liquidation value		

of \$32,780,230 at September 30, 2018

Common stock, par value \$0.01 per share; 240,000,000 shares authorized;  
118,352,706

and 101,706,117 shares issued at September 30, 2018 and December 31, 2017,

respectively	1,183,527	1,017,061
Additional paid-in capital	999,580,589	951,811,958
Accumulated other comprehensive loss	(1,615,893 )	(2,169,354 )
Accumulated deficit	(1,129,556,515)	(1,026,475,773)
Total stockholders' deficit attributable to Agenus Inc.	(130,407,976 )	(75,815,792 )
Non-controlling interest	(984,642 )	—
Total stockholders' deficit	(131,392,618 )	(75,815,792 )
Total liabilities and stockholders' deficit	\$ 130,475,239	\$ 138,402,024

See accompanying notes to unaudited condensed consolidated financial statements.

## AGENUS INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
<b>Revenue:</b>				
Research and development	\$6,276,136	\$3,359,399	\$18,385,111	\$34,522,815
Non-cash royalty revenue related to the sale of future royalties	6,526,291	—	11,947,982	—
Total revenues	12,802,427	3,359,399	30,333,093	34,522,815
<b>Operating expenses:</b>				
Research and development	(29,854,310 )	(25,788,707 )	(88,569,123 )	(84,253,129 )
General and administrative	(9,203,406 )	(8,050,783 )	(27,616,079 )	(23,956,543 )
Contingent purchase price consideration fair value adjustment	180,000	(1,184,000 )	1,456,000	(123,000 )
Operating loss	(26,075,289 )	(31,664,091 )	(84,396,109 )	(73,809,857 )
<b>Other expense:</b>				
Loss on early extinguishment of debt	—	—	(10,766,625 )	—
Non-operating (expense) income	(117,172 )	(472,745 )	(1,489,835 )	1,917,200
Interest expense, net	(7,538,096 )	(4,704,871 )	(16,542,911 )	(13,765,271 )
Net loss	(33,730,557 )	(36,841,707 )	(113,195,480 )	(85,657,928 )
Dividends on Series A-1 convertible preferred stock	(51,752 )	(51,426 )	(155,011 )	(154,034 )
Less: net loss attributable to non-controlling interest	(604,887 )	—	(1,258,242 )	—
Net loss attributable to Agenus Inc. common stockholders	\$(33,177,422 )	\$(36,893,133 )	\$(112,092,249 )	\$(85,811,962 )
<b>Per common share data:</b>				
Basic and diluted net loss attributable to Agenus Inc. common stockholders	\$(0.29 )	\$(0.37 )	\$(1.04 )	\$(0.88 )
<b>Weighted average number of Agenus Inc. common shares outstanding:</b>				
Basic and diluted	114,977,416	99,891,980	107,601,000	97,557,409
<b>Other comprehensive loss:</b>				
Foreign currency translation (loss) gain	\$(38,276 )	\$231,177	\$553,461	\$(529,118 )
Other comprehensive (loss) income	(38,276 )	231,177	553,461	(529,118 )
Comprehensive loss	\$(33,215,698 )	\$(36,661,956 )	\$(111,538,788 )	\$(86,341,080 )

See accompanying notes to unaudited condensed consolidated financial statements.



## AGENUS INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine Months Ended September 30,	
	2018	2017
<b>Cash flows from operating activities:</b>		
Net loss	\$(113,195,480)	\$(85,657,928)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>		
Depreciation and amortization	4,744,672	4,561,815
Share-based compensation	5,694,829	7,083,948
Non-cash royalty revenue	(11,947,982 )	—
Non-cash interest expense	16,063,404	13,360,630
Loss (gain) on disposal of assets	117,817	(19,822 )
Gain on issuance of stock for settlement of milestone obligation	—	(14,063 )
Change in fair value of contingent obligations	(1,456,000 )	123,000
Loss on extinguishment of debt	10,766,625	—
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	(4,934,361 )	9,160,979
Inventories	24,000	7,959
Prepaid expenses	(3,469,828 )	(8,178,360 )
Accounts payable	2,882,184	1,006,808
Deferred revenue	(1,064,391 )	(2,006,858 )
Accrued liabilities and other current liabilities	222,462	(5,962,198 )
Other operating assets and liabilities	269,216	(1,823,880 )
Net cash used in operating activities	(95,282,833 )	(68,357,970)
<b>Cash flows from investing activities:</b>		
Proceeds from sale of plant and equipment	6,187	120,000
Purchases of plant and equipment	(2,995,572 )	(2,366,429 )
Purchases of held-to-maturity securities	—	(14,936,047)
Proceeds from securities held-to-maturity	—	15,000,000
Net cash used in investing activities	(2,989,385 )	(2,182,476 )
<b>Cash flows from financing activities:</b>		
Net proceeds from sale of equity	41,279,969	63,677,302
Proceeds from employee stock purchases and option exercises	1,233,900	833,982
Purchase of treasury shares to satisfy tax withholdings	—	(527,223 )
Proceeds from sale of future royalties	204,878,400	—
Transaction costs from sale of future royalties and milestones	(494,394 )	—
Repayments of debt	(161,847,220)	—
Payment of capital lease obligation	(193,164 )	(216,982 )
Net cash provided by financing activities	84,857,491	63,767,079
Effect of exchange rate changes on cash	(602,486 )	400,708
Net (decrease) increase in cash and cash equivalents	(14,017,213 )	(6,372,659 )
Cash and cash equivalents, beginning of period	60,186,617	71,448,016
Cash and cash equivalents, end of period	\$46,169,404	\$65,075,357
<b>Supplemental cash flow information:</b>		



Cash paid for interest	\$837,699	\$837,699
Supplemental disclosures - non-cash activities:		