

JAZZ PHARMACEUTICALS INC  
Form 10-Q  
November 06, 2009  
Table of Contents

**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: 001-33500

**JAZZ PHARMACEUTICALS, INC.**

(Exact name of registrant as specified in its charter)

Edgar Filing: JAZZ PHARMACEUTICALS INC - Form 10-Q

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**05-0563787**  
(I.R.S. Employer

Identification No.)

**3180 Porter Drive**

**Palo Alto, CA 94304**

**(650) 496-3777**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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 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  (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 October 30, 2009, 30,992,088 shares of the registrant's Common Stock, \$.0001 par value, were outstanding.

**Table of Contents**

**JAZZ PHARMACEUTICALS, INC.**

**QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2009**

**INDEX**

	<b>Page</b>
<b><u>PART I FINANCIAL INFORMATION</u></b>	
Item 1. <u>Financial Statements</u>	
<u>Condensed Consolidated Balance Sheets September 30, 2009 and December 31, 2008</u>	3
<u>Condensed Consolidated Statements of Operations Three and Nine Months Ended September 30, 2009 and 2008</u>	4
<u>Condensed Consolidated Statements of Cash Flows Nine Months Ended September 30, 2009 and 2008</u>	5
<u>Notes to Condensed Consolidated Financial Statements</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	26
Item 4. <u>Controls and Procedures</u>	26
<b><u>PART II OTHER INFORMATION</u></b>	
Item 1A. <u>Risk Factors</u>	27
Item 6. <u>Exhibits</u>	47

In this report, Jazz Pharmaceuticals, we, us, and our refer to Jazz Pharmaceuticals, Inc. and its consolidated subsidiaries.

We own or have rights to various copyrights, trademarks, and trade names used in our business, including the following: Xyrem® (sodium oxybate) oral solution; Luvox CR® (fluvoxamine maleate) Extended-Release Capsules; and Luvox® (fluvoxamine). This report also includes other trademarks, service marks, and trade names of other companies.

**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****JAZZ PHARMACEUTICALS, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands)****(Unaudited)**

	<b>September 30, 2009</b>	<b>December 31, 2008</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 12,230	\$ 24,903
Restricted cash	950	1,913
Marketable securities		1,004
Accounts receivable, net of allowances of \$227 and \$176 at September 30, 2009 and December 31, 2008, respectively	9,202	6,643
Inventories	4,532	4,788
Prepaid expenses	1,969	2,366
Other current assets	261	2,382
Total current assets	29,144	43,999
Property and equipment, net	1,444	2,514
Intangible assets, net	31,915	32,526
Goodwill	38,213	38,213
Other long-term assets	1,456	246
Total assets	\$ 102,172	\$ 117,498
<b>LIABILITIES AND STOCKHOLDERS DEFICIT</b>		
Current liabilities:		
Accounts payable	\$ 5,240	\$ 5,736
Accrued liabilities	21,370	19,024
Line of credit	3,000	3,875
Senior secured notes (including \$6,747 pertaining to related parties at December 31, 2008)		118,534
Purchased product rights liability	6,000	14,000
Deferred revenue	2,500	12,322
Total current liabilities	38,110	173,491
Deferred rent	7	
Purchased product rights liability, noncurrent	10,000	
Deferred revenue, noncurrent	10,476	11,330
Liability under government settlement, noncurrent	10,658	13,063
Senior secured notes (including \$6,571 pertaining to related parties at September 30, 2009)	115,363	
Common stock subject to repurchase		12,492
Commitments and contingencies (Note 14)		
Stockholders' deficit:		
Common stock	3	3

Edgar Filing: JAZZ PHARMACEUTICALS INC - Form 10-Q

Additional paid-in capital	430,852	407,923
Accumulated other comprehensive income		4
Accumulated deficit	(513,297)	(500,808)
<b>Total stockholders' deficit</b>	<b>(82,442)</b>	<b>(92,878)</b>
Total liabilities and stockholders' deficit	\$ 102,172	\$ 117,498

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

**Table of Contents****JAZZ PHARMACEUTICALS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands, except per share amounts)****(Unaudited)**

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Revenues:</b>				
Product sales, net	\$ 29,992	\$ 17,022	\$ 77,789	\$ 45,757
Royalties, net	532	440	1,522	1,308
Contract revenues	285	284	10,854	854
<b>Total revenues</b>	<b>30,809</b>	<b>17,746</b>	<b>90,165</b>	<b>47,919</b>
<b>Operating expenses:</b>				
Cost of product sales (excluding amortization of acquired developed technology)	2,338	5,525	6,856	10,619
Research and development	7,644	12,149	30,244	55,274
Selling, general and administrative	15,061	24,329	42,934	91,218
Amortization of intangible assets	2,057	3,487	5,611	9,454
<b>Total operating expenses</b>	<b>27,100</b>	<b>45,490</b>	<b>85,645</b>	<b>166,565</b>
Income (loss) from operations	3,709	(27,744)	4,520	(118,646)
Interest income	2	353	29	1,700
Interest expense (including \$296 and \$288 for the three months ended September 30, 2009 and 2008, respectively, and \$937 and \$880 for the nine months ended September 30, 2009 and 2008, respectively, pertaining to related parties)	(5,384)	(5,355)	(17,034)	(14,377)
Other income (expense), net	1	19	(4)	6
Gain on sale of product rights		3,918		3,918
<b>Net loss</b>	<b>\$ (1,672)</b>	<b>\$ (28,809)</b>	<b>\$ (12,489)</b>	<b>\$ (127,399)</b>
<b>Net loss per share:</b>				
Basic and diluted	\$ (0.05)	\$ (1.07)	\$ (0.42)	\$ (5.12)
<b>Weighted-average common shares used in computing net loss per share:</b>				
Basic and diluted	30,895	27,025	29,635	24,895

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

**Table of Contents****JAZZ PHARMACEUTICALS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)****(Unaudited)**

	<b>Nine Months Ended September 30,</b>	
	<b>2009</b>	<b>2008</b>
<b>Operating activities</b>		
Net loss	\$ (12,489)	\$ (127,399)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	1,103	1,760
Amortization of intangible assets	5,611	9,454
Loss on disposal of property and equipment	14	138
Senior secured notes, non-cash interest expense	1,849	1,435
Stock-based compensation expense	3,509	5,790
Gain on sale of product rights		(3,918)
Changes in assets and liabilities:		
Accounts receivable	(2,559)	(1,297)
Inventories	252	(4,084)
Prepaid expenses and other current assets	1,039	(258)
Other assets	(274)	(341)
Accounts payable	(496)	3,758
Accrued liabilities	(4,902)	(5,108)
Deferred revenue	(10,676)	10,052
Deferred rent	7	
Liability under government settlement	362	(1,428)
Net cash used in operating activities	(17,650)	(111,446)
<b>Investing activities</b>		
Purchases of property and equipment	(47)	(1,665)
Purchases of product rights	(3,000)	(20,000)
Proceeds from sale of product rights		5,775
Decrease in restricted cash and investments	963	11,941
Transfer of restricted cash to marketable securities		(4,410)
Proceeds from maturities of marketable securities	1,004	3,411
Net cash used in investing activities	(1,080)	(4,948)
<b>Financing activities</b>		
Proceeds from employee stock purchases and exercise of stock options	152	976
Net repayments of line of credit	(875)	(194)
Proceeds from private offerings, net of issuance costs	6,780	
Proceeds from sale of senior secured notes and warrants, net of issuance costs		38,566
Repayment of senior secured notes		(504)
Proceeds from public offerings, net of issuance costs		24,512
Net cash provided by financing activities	6,057	63,356