

SPECTRUM PHARMACEUTICALS INC

Form 10-Q

November 09, 2012

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2012

.. **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: 001-35006

SPECTRUM PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

93-0979187
(I.R.S. Employer
Identification No.)

11500 South Eastern Avenue, Suite 240
Henderson, Nevada 89052
(Address of principal executive offices) (Zip Code)

(702) 835-6300
(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 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. (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 October 26, 2012, 59,543,333 shares of the registrant's common stock were outstanding.

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SPECTRUM PHARMACEUTICALS, INC.

FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2012

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Item 1 and 3 through 5 of Part II have been omitted because they are not applicable with respect to the current reporting period.

Table of Contents**PART I: FINANCIAL INFORMATION****ITEM 1. Financial Statements****SPECTRUM PHARMACEUTICALS, INC.****Condensed Consolidated Balance Sheets**

(In thousands, except share and per share data)

(Unaudited)

	September 30, 2012	December 31, 2011
ASSETS		
Current Assets:		
Cash and equivalents	\$ 143,283	\$ 121,202
Marketable securities	3,308	40,060
Accounts receivable, net of allowance for doubtful accounts of \$284 and \$471, respectively	90,943	51,703
Inventories, net	12,978	10,762
Prepaid expenses and other current assets	3,853	2,074
Deferred tax assets	11,351	
Total current assets	265,716	225,801
Investments		9,283
Property and equipment, net	2,988	2,681
Intangible assets, net	204,633	41,654
Goodwill	29,976	
Other assets	6,228	1,361
TOTAL ASSETS	\$ 509,541	\$ 280,780
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Accounts payable and other accrued obligations	\$ 93,289	\$ 54,771
Accrued compensation and related expenses	15,057	1,788
Deferred revenue	12,300	12,300
Deferred development costs	700	
Accrued drug development costs	13,314	9,678
Total current liabilities	134,660	78,537
Capital lease obligations		9
Deferred revenue and other credits less current portion	5,500	14,029
Deferred development costs less current portion	11,600	
Deferred payment contingency	2,200	
Tax liability	169	
Deferred tax liability	426	
Other long-term obligations	298	298
Revolving line of credit	75,000	
Total liabilities	229,853	92,873
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized:		

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Series B junior participating preferred stock, \$0.001 par value; 1,500,000 shares authorized and no shares issued and outstanding

Series E convertible voting preferred stock \$0.001 par value and \$10,000 stated value; 2,000 shares authorized; 20 shares issued and outstanding at September 30, 2012 and December 31, 2011 (aggregate liquidation value of \$240)

	123	123
Common stock, \$0.001 par value 175,000,000 shares authorized; 59,525,328 and 59,247,483 issued and outstanding at September 30, 2012 and December 31, 2011, respectively	60	59
Additional paid-in capital	466,655	452,761
Accumulated other comprehensive gain (loss)	682	(227)
Accumulated deficit	(187,832)	(261,883)
Less: Treasury stock at cost; 0 and 363,055 shares outstanding at September 30, 2012 and December 31, 2011, respectively		(2,926)

Total stockholders' equity	279,688	187,907
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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 509,541	\$ 280,780
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See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents**SPECTRUM PHARMACEUTICALS, INC.****Condensed Consolidated Statements of Income**

(In thousands, except share and per share data)

(Unaudited)

	Three Months Ended September 30,		Nine months Ended September 30,	
	2012	2011	2012	2011
Revenues:				
Product sales, net	\$ 65,871	\$ 47,949	\$ 188,282	\$ 130,759
License and contract revenue	3,171	3,075	9,321	9,225
Total revenues	69,042	51,024	197,603	139,984
Operating costs and expenses:				
Cost of product sales (excludes amortization of purchased intangible assets)	11,155	8,845	31,402	23,555
Selling, general and administrative	23,114	15,811	64,723	47,261
Research and development	10,183	7,388	28,657	20,904
Amortization of purchased intangibles	1,834	930	4,400	2,790
Total operating costs and expenses	46,286	32,974	129,182	94,510
Income from operations	22,756	18,050	68,421	45,474
Change in fair value of common stock warrant liability		2,999		(3,488)
Other income (expense), net	293	(144)	(1,076)	550
Income before (provision) benefit for income taxes	23,049	20,905	67,345	42,536
(Provision) benefit for income taxes	(1,737)	(650)	18,579	(2,300)
Net income	\$ 21,312	\$ 20,255	\$ 85,924	\$ 40,236
Net income per share:				
Basic	\$ 0.36	\$ 0.38	\$ 1.47	\$ 0.77
Diluted	\$ 0.33	\$ 0.34	\$ 1.32	\$ 0.70
Weighted average shares outstanding:				
Basic	58,912,031	53,810,047	58,564,176	52,477,789
Diluted	65,139,606	59,469,863	64,880,786	57,326,069

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents**SPECTRUM PHARMACEUTICALS, INC.****Condensed Consolidated Statements of Comprehensive Income**

(In thousands)

(Unaudited)

	Three Months Ended September 30,		Nine months Ended September 30,	
	2012	2011	2012	2011
Net income	\$ 21,312	\$ 20,255	\$ 85,924	\$ 40,236
Other comprehensive income, net of tax:				
Unrealized gain (loss) on securities	1,267	29	966	(55)
Foreign currency translation adjustment	(60)		(57)	
Total comprehensive income	\$ 22,519	\$ 20,284	\$ 86,833	\$ 40,181

See accompanying notes to condensed consolidated financial statements.

Table of Contents**SPECTRUM PHARMACEUTICALS, INC.****Condensed Consolidated Statements of Cash Flows**

(In thousands)

(Unaudited)

	Nine months Ended September 30,	
	2012	2011
Cash Flows From Operating Activities:		
Net income	\$ 85,924	\$ 40,236
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred revenue	(9,225)	(9,225)
Depreciation and amortization	6,714	3,991
Stock-based compensation	9,424	15,216
Deferred income tax benefit	(33,298)	
Change in fair value of common stock warrant liability		3,488