

CTI BIOPHARMA CORP
Form 10-Q
August 06, 2015

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: June 30, 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 001-12465

CTI BIOPHARMA CORP.

(Exact name of registrant as specified in its charter)

Washington	91-1533912
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3101 Western Avenue, Suite 600	
Seattle, Washington	98121
(Address of principal executive offices)	(Zip Code)

(206) 282-7100

(Registrant's telephone number, including area code)

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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 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, or 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding at July 30, 2015
Common Stock, no par value	180,659,075

CTI BIOPHARMA CORP.

TABLE OF CONTENTS

	PAGE
<u>PART I - FINANCIAL INFORMATION</u>	
<u>ITEM 1: Financial Statements</u>	3
<u>Condensed Consolidated Balance Sheets at June 30, 2015 (unaudited) and December 31, 2014</u>	3
<u>Condensed Consolidated Statements of Operations – Three and Six Months Ended June 30, 2015 and 2014 (unaudited)</u>	4
<u>Condensed Consolidated Statements of Comprehensive Loss – Three and Six Months Ended June 30, 2015 and 2014 (unaudited)</u>	5
<u>Condensed Consolidated Statements of Cash Flows – Six Months Ended June 30, 2015 and 2014 (unaudited)</u>	6
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	7
<u>ITEM 2: Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	15
<u>ITEM 3: Quantitative and Qualitative Disclosures about Market Risk</u>	28
<u>ITEM 4: Controls and Procedures</u>	28
<u>PART II - OTHER INFORMATION</u>	
<u>ITEM 1: Legal Proceedings</u>	31
<u>ITEM 1A: Risk Factors</u>	32
<u>ITEM 2: Unregistered Sales of Equity Securities and Use of Proceeds</u>	49
<u>ITEM 3: Defaults Upon Senior Securities</u>	49
<u>ITEM 4: Mine Safety Disclosures</u>	49
<u>ITEM 5: Other Information</u>	49
<u>ITEM 6: Exhibits</u>	50
<u>Signatures</u>	52

PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements.

CTI BIOPHARMA CORP.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

	June 30, 2015 (unaudited)	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$54,864	\$70,933
Accounts receivable, net	880	2,011
Inventory	3,607	4,182
Prepaid expenses and other current assets	4,512	3,379
Total current assets	63,863	80,505
Property and equipment, net	4,148	4,646
Other assets	5,447	7,136
Total assets	\$73,458	\$92,287
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$11,180	\$6,356
Accrued expenses	17,440	19,734
Warrant liability	368	—
Current portion of deferred revenue	847	826
Current portion of long-term debt	2,824	9,014
Other current liabilities	438	410
Total current liabilities	33,097	36,340
Deferred revenue, less current portion	1,430	1,779
Long-term debt, less current portion	48,800	8,363
Other liabilities	5,659	5,882
Total liabilities	88,986	52,364
Commitments and contingencies		
Common stock purchase warrants	—	1,445
Shareholders' equity (deficit):		
Common stock, no par value:		
Authorized shares - 315,000,000 and 215,000,000		
at June 30, 2015 and December 31, 2014, respectively		
Issued and outstanding shares - 180,372,288 and 176,761,099	2,031,982	2,023,949

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at June 30, 2015 and December 31, 2014, respectively		
Accumulated other comprehensive loss	(6,886)	(6,499)
Accumulated deficit	(2,036,888)	(1,975,695)
Total CTI shareholders' equity (deficit)	(11,792)	41,755
Noncontrolling interest	(3,736)	(3,277)
Total shareholders' equity (deficit)	(15,528)	38,478
Total liabilities and shareholders' equity	\$73,458	\$92,287

See accompanying notes.

3

CTI BIOPHARMA CORP.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues:				
Product sales, net	\$849	\$1,148	\$1,654	\$2,416
License and contract revenue	251	195	2,174	338
Total revenues	1,100	1,343	3,828	2,754
Operating costs and expenses:				
Cost of product sold	183	202	373	347
Research and development	19,320	14,017	36,791	26,196
Selling, general and administrative	12,624	13,792	24,921	30,542
Other operating expense	—	—	253	—
Total operating costs and expenses	32,127	28,011	62,338	57,085
Loss from operations	(31,027)	(26,668)	(58,510)	(54,331)
Non-operating income (expense):				
Interest expense	(597)	(467)	(1,091)	(931)
Amortization of debt discount and issuance costs	(131)	(185)	(311)	(363)
Foreign exchange gain (loss)	185	(160)	(543)	(165)
Other non-operating income (expense)	(1,196)	1	(1,196)	(885)
Total non-operating expense, net	(1,739)	(811)	(3,141)	(2,344)
Net loss before noncontrolling interest	(32,766)	(27,479)	(61,651)	(56,675)
Noncontrolling interest	170	80	458	274
Net loss	\$(32,596)	\$(27,399)	\$(61,193)	\$(56,401)
Basic and diluted net loss per common share	\$(0.19)	\$(0.19)	\$(0.35)	\$(0.39)
Shares used in calculation of basic and diluted				
net loss per common share	175,458	144,453	174,706	143,302

See accompanying notes.

CTI BIOPHARMA CORP.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)

(unaudited)

	Three Months		Six Months Ended	
	Ended June 30, 2015	2014	June 30, 2015	2014
Net loss before noncontrolling interest	\$(32,766)	\$(27,479)	\$(61,651)	\$(56,675)
Other comprehensive income (loss):				
Foreign currency translation adjustments	(752)	76	1,495	47
Unrealized foreign exchange gain (loss) on intercompany balance	880	—	(1,874)	—
Net unrealized loss on securities available-for-sale:	(13)	(66)	(8)	(58)
Other comprehensive income (loss)	115	10	(387)	(11)
Comprehensive loss	(32,651)	(27,469)	(62,038)	(56,686)
Comprehensive loss attributable to noncontrolling interest	170	80	458	274
Comprehensive loss attributable to CTI	\$(32,481)	\$(27,389)	\$(61,580)	\$(56,412)

See accompanying notes.

5

CTI BIOPHARMA CORP.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(unaudited)

	Six Months Ended	
	June 30,	2014
	2015	2014
Operating activities		
Net loss	\$(61,651)	\$(56,675)
Adjustments to reconcile net loss to net cash used in operating activities:		
Share-based compensation expense	7,109	13,185
Depreciation and amortization	512	616
Loss on debt extinguishment	1,211	—
Noncash interest expense	311	363
Change in value of warrant liability	(15)	886
Other	(195)	409
Changes in operating assets and liabilities:		
Accounts receivable	973	(380)
Inventory	245	22
Prepaid expenses and other current assets	(1,192)	73
Other assets	1,198	(366)
Accounts payable	4,976	1,346
Accrued expenses and other	(2,082)	2,450
Deferred revenue	(328)	(338)
Total adjustments	12,723	18,266
Net cash used in operating activities	(48,928)	(38,409)
Investing activities		
Purchases of property and equipment	(24)	(58)
Net cash used in investing activities	(24)	(58)
Financing activities		
Proceeds from Hercules debt, net of issuance costs	5,910	(73)
Repayment of Hercules debt	(4,659)	—
Proceeds from Baxalta milestone advance	32,000	—
Payment of tax withholding obligations related to stock compensation	(544)	(108)
Cash paid for Series 21 preferred stock issuance costs	(227)	—
Other	22	—