

SANGAMO THERAPEUTICS, INC
Form 10-Q
August 08, 2018
Ion

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 June 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 000-30171

SANGAMO THERAPEUTICS, INC.

(exact name of registrant as specified in its charter)

Delaware 68-0359556
(State or other jurisdiction of (IRS Employer

incorporation or organization) Identification No.)

501 Canal Blvd

Richmond, California 94804

(Address of principal executive offices)

(510) 970-6000

(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 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, a smaller reporting company, or an emerging growth company. See 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

(Do not check if a smaller reporting company) 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

As of August 1, 2018, 101,673,757 shares of the issuer's common stock, par value \$0.01 per share, were outstanding.

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SANGAMO THERAPEUTICS, INC.

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Unless the context suggests otherwise, references in this Quarterly Report on Form 10-Q, or Quarterly Report, to “Sangamo,” the “Company,” “we,” “us,” and “our” refer to Sangamo Therapeutics, Inc. and, where appropriate, our wholly owned subsidiaries.

ZFP Therapeutic[®], Engineering Genetic Cures[®], and Pioneering Genetic Cures[®] are registered trademarks of Sangamo Therapeutics, Inc. Any third-party trade names, trademarks and service marks appearing in this Quarterly Report are the property of their respective holders.

Convenience translations between Euros (€) and U.S. dollars provided herein are based on the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York on July 27, 2018, or €1.00 = \$1.166. We do not represent that Euros were, could have been, or could be, converted into U.S. dollars at such rate or at any other rate.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some statements contained in this report are forward-looking with respect to our operations, research, development and commercialization activities, clinical trials, operating results and financial condition. These statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. Forward-looking statements include, but are not limited to, statements about:

- our strategy;
- product development and commercialization of our products;
- clinical trials;
- the proposed acquisition of TxCell S.A., including the expected timing, term and anticipated benefits thereof;
- partnering, other acquisition and other strategic transactions;
- revenues from existing and new collaborations;
- our research and development and other expenses;
- sufficiency of our cash resources;
- our operational and legal risks; and
- our plans, objectives, expectations and intentions and any other statements that are not historical facts.

In some cases, you can identify forward-looking statements by terms such as: “anticipates,” “believes,” “continues,” “could,” “estimates,” “expects,” “intends,” “may,” “plans,” “seeks,” “should” and “will.” These statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these risks and uncertainties, you should not place undue reliance on these forward-looking statements. We discuss many of these risks in greater detail under the headings “Risk Factors” and “Management’s Discussion and Analysis of Financial Conditions and Results of Operations” in this Quarterly Report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances arising after the date of such statements. Readers are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Quarterly Report.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
SANGAMO THERAPEUTICS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited; in thousands, except share and per share amounts)

	June 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$59,406	\$49,826
Marketable securities	480,040	193,482
Interest receivable	562	240
Accounts receivable	4,977	3,343
Prepaid expenses and other current assets	5,064	1,506
Total current assets	550,049	248,397
Marketable securities, non-current	34,182	1,012
Property and equipment, net	37,223	31,066
Goodwill	1,585	1,585
Restricted cash and other non-current assets	4,688	4,681
Total assets	\$627,727	\$286,741
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$14,388	\$11,035
Accrued compensation and employee benefits	4,346	5,479
Deferred revenues	57,215	28,345
Total current liabilities	75,949	44,859
Deferred revenues, non-current	137,731	29,244
Build-to-suit lease obligation	26,180	24,738
Total liabilities	239,860	98,841
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.01 par value; 160,000,000 shares authorized, 101,623,521 and		
85,598,534 shares issued and outstanding at June 30, 2018 and		
December 31, 2017, respectively	1,016	856
Additional paid-in capital	918,197	682,809
Accumulated deficit	(531,189)	(495,479)
Accumulated other comprehensive loss	(157)	(286)

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Total stockholders' equity	387,867	187,900
Total liabilities and stockholders' equity	\$627,727	\$286,741

See accompanying notes.

SANGAMO THERAPEUTICS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited; in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues:				
Collaboration agreements	\$21,289	\$7,977	\$33,840	\$11,283
Research grants	127	276	213	395
Total revenues	21,416	8,253	34,053	11,678
Operating expenses:				
Research and development	29,255	14,984	52,802	27,926
General and administrative	11,301	6,037	21,388	13,312
Total operating expenses	40,556	21,021	74,190	41,238
Loss from operations	(19,140)	(12,768)	(40,137)	(29,560)
Interest and other income, net	2,500	277	3,310	437
Net loss	\$(16,640)	\$(12,491)	\$(36,827)	\$(29,123)
Basic and diluted net loss per share	\$(0.17)	\$(0.17)	\$(0.40)	\$(0.41)
Shares used in computing basic and diluted net loss per share	97,267	72,527	91,831	71,780

See accompanying notes.

SANGAMO THERAPEUTICS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Unaudited; in thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Net loss	\$(16,640)	\$(12,491)	\$(36,827)	\$(29,123)
Change in unrealized gain (loss) on available-for-sale securities	230	(51)	131	(163)
Comprehensive loss	\$(16,410)	\$(12,542)	\$(36,696)	\$(29,286)

See accompanying notes.

SANGAMO THERAPEUTICS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; in thousands)

	Six Months Ended	
	June 30,	
	2018	2017
Operating Activities:		
Net loss	\$(36,827)	\$(29,123)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,207	618
Amortization of (discount) premium on marketable securities	(1,656)	32
Stock-based compensation	6,564	4,751
Other	465	—
Net changes in operating assets and liabilities:		
Interest receivable	(322)	(32)
Accounts receivable	(1,634)	1,477
Prepaid expenses and other assets	(3,564)	(1,039)
Accounts payable and accrued liabilities	2,733	2,654
Accrued compensation and employee benefits	(1,133)	24
Deferred revenues	138,474	64,346
Net cash provided by operating activities	104,307	43,708
Investing Activities:		
Purchases of marketable securities	(451,240)	(159,166)
Maturities of marketable securities	133,297	83,029
Purchases of property and equipment	(5,768)	(2,175)
Net cash used in investing activities	(323,711)	(78,312)
Financing Activities:		