

BIOMARIN PHARMACEUTICAL INC

Form 10-Q

October 29, 2012

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**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, 2012

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: 000-26727

**BioMarin Pharmaceutical Inc.**

(Exact name of registrant as specified in its charter)

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<b>Delaware</b> (State or other jurisdiction of incorporation or organization)	<b>68-0397820</b> (I.R.S. Employer Identification No.)
<b>105 Digital Drive, Novato, California</b> (Address of principal executive offices)	<b>94949</b> (Zip Code)
<b>(415) 506-6700</b> 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 (§ 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, 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 <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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

**Applicable only to issuers involved in bankruptcy proceedings during the preceding five years:**

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☐

**Applicable only to corporate issuers:**

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 123,826,066 shares of common stock, par value \$0.001, outstanding as of October 12, 2012.

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**BIOMARIN PHARMACEUTICAL INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

**September 30, 2012 and December 31, 2011**

(In thousands of U.S. dollars, except share and per share amounts)

	September 30, 2012 (unaudited)	December 31, 2011(1)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 181,330	\$ 46,272
Short-term investments	245,125	148,820
Accounts receivable, net (allowance for doubtful accounts: \$341 and \$513, respectively)	117,290	104,839
Inventory	120,825	130,118
Other current assets	54,816	39,753
Total current assets	719,386	469,802
Investment in BioMarin/Genzyme LLC	848	559
Long-term investments	106,741	94,385
Property, plant and equipment, net	273,724	268,971
Intangible assets, net	165,624	180,277
Goodwill	51,543	51,543
Long-term deferred tax assets	229,771	222,649
Other assets	19,739	15,495
Total assets	\$ 1,567,376	\$ 1,303,681
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 111,489	\$ 94,125
Convertible debt	23,440	0
Total current liabilities	134,929	94,125
Long-term convertible debt	324,861	348,329
Other long-term liabilities	92,392	88,179
Total liabilities	552,182	530,633
Stockholders' equity:		
Common stock, \$0.001 par value: 250,000,000 shares authorized at September 30, 2012 and December 31, 2011; 123,790,150 and 114,789,732 shares issued and outstanding at September 30, 2012 and December 31, 2011, respectively.	124	115
Additional paid-in capital	1,505,776	1,197,082
Company common stock held by Nonqualified Deferred Compensation Plan	(6,603)	(3,935)
Accumulated other comprehensive income	2,333	4,887
Accumulated deficit	(486,436)	(425,101)
Total stockholders' equity	1,015,194	773,048

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Total liabilities and stockholders' equity	\$ 1,567,376	\$ 1,303,681
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- (1) December 31, 2011 balances were derived from the audited consolidated financial statements.  
The accompanying notes are an integral part of these condensed consolidated financial statements.

**Table of Contents****BIOMARIN PHARMACEUTICAL INC.****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS****Three and Nine Months Ended September 30, 2012 and 2011****(In thousands of U.S. dollars, except per share amounts)****(Unaudited)**

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>REVENUES:</b>				
Net product revenues	\$ 126,310	\$ 112,891	\$ 365,540	\$ 331,583
Collaborative agreement revenues	1,210	97	1,729	375
Royalty and license revenues	597	437	1,516	1,554
Total revenues	128,117	113,425	368,785	333,512
<b>OPERATING EXPENSES:</b>				
Cost of sales (excludes amortization of certain acquired intangible assets)	24,619	22,445	65,298	62,504
Research and development	66,209	58,577	217,855	156,466
Selling, general and administrative	46,337	44,880	143,124	126,969
Intangible asset amortization and contingent consideration	1,443	3,040	5,819	28
Total operating expenses	138,608	128,942	432,096	345,967
<b>LOSS FROM OPERATIONS</b>	(10,491)	(15,517)	(63,311)	(12,455)
Equity in the loss of BioMarin/Genzyme LLC	(336)	(608)	(968)	(1,817)
Interest income	778	722	1,819	2,302
Interest expense	(1,837)	(2,168)	(5,709)	(6,531)
Debt conversion expense	0	(1,896)	0	(1,896)
Other income (expense)	125	(264)	(15)	(114)
<b>LOSS BEFORE INCOME TAXES</b>	(11,761)	(19,731)	(68,184)	(20,511)
Provision for (benefit from) income taxes	(6,404)	(2,078)	(6,849)	6,590
<b>NET LOSS</b>	\$ (5,357)	\$ (17,653)	\$ (61,335)	\$ (27,101)
<b>NET LOSS PER SHARE, BASIC AND DILUTED</b>	\$ (0.04)	\$ (0.16)	\$ (0.52)	\$ (0.24)
Weighted average common shares outstanding, basic and diluted	123,434	112,290	118,810	111,358
<b>COMPREHENSIVE LOSS</b>				
	\$ (7,674)	\$ (10,426)	\$ (63,889)	\$ (25,985)

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

**Table of Contents****BIOMARIN PHARMACEUTICAL INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****Nine Months Ended September 30, 2012 and 2011****(In thousands of U.S. dollars)****(Unaudited)**

	<b>Nine Months Ended September 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (61,335)	\$ (27,101)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	33,438	26,466
Amortization of discount on investments	3,075	3,055
Equity in the loss of BioMarin/Genzyme LLC	968	1,817
Stock-based compensation	35,414	32,721
Deferred income taxes	(10,610)	6,844
Excess tax benefit from stock option exercises	(96)	(109)
Impairment of intangible assets	6,707	0
Unrealized foreign exchange (gain) loss on forward contracts	(4,846)	5,699
Changes in the fair value of contingent acquisition consideration payable	(3,325)	(2,390)
Debt conversion expense	0	1,896
Changes in operating assets and liabilities:		
Accounts receivable, net	(12,451)	(20,481)
Inventory	9,293	(5,930)
Other current assets	(8,154)	(6,147)
Other assets	(6,905)	110
Accounts payable and accrued liabilities	15,825	1,459
Other long-term liabilities	8,625	1,019
Net cash provided by operating activities	5,623	18,928
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property, plant and equipment	(30,676)	