

Mast Therapeutics, Inc.
Form 10-Q
November 04, 2013
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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, 2013

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 001-32157

Mast Therapeutics, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

84-1318182
(I.R.S. Employer
Identification No.)

12390 El Camino Real, Suite 150, San Diego, CA
(Address of principal executive offices)

92130
(Zip Code)

(858) 552-0866

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

Accelerated filer

Non-accelerated filer

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

The number of shares outstanding of the registrant's common stock, \$0.001 par value per share, as of November 1, 2013 was 102,710,286.

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(A Development Stage Enterprise)

Condensed Consolidated Balance Sheets

(Unaudited)

	September 30, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 30,231,154	\$ 22,500,440
Investment securities	19,131,616	14,010,962
Interest and other receivables	29,185	15,689
Prepaid expenses	542,423	646,571
Total current assets	49,934,378	37,173,662
Property and equipment, net	115,092	198,358
In-process research and development	6,549,000	6,549,000
Goodwill	3,006,883	3,006,883
Other assets	43,912	43,912
Total assets	\$ 59,649,265	\$ 46,971,815
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 794,674	\$ 698,838
Accrued liabilities	2,155,179	1,283,976
Accrued compensation and payroll taxes	1,026,888	445,352
Contingent liability		142,500
Total current liabilities	3,976,741	2,570,666
Deferred income tax liability	2,608,755	2,608,755
Total liabilities	6,585,496	5,179,421
Stockholders equity:		
Common stock, \$0.001 par value; 500,000,000 shares authorized; 102,710,286 and 47,719,365 shares issued at September 30, 2013 and December 31, 2012, respectively; 102,710,286 and 46,265,286 shares outstanding at September 30, 2013 and December 31, 2012, respectively	102,710	47,720

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Treasury stock, at cost 0 and 1,454,079 shares at September 30, 2013 and December 31, 2012, respectively		(1,454)
Additional paid-in capital	253,713,892	226,696,863
Accumulated other comprehensive loss	(28,722)	(2,194)
Deficit accumulated during the development stage	(200,724,111)	(184,948,541)
Total stockholders' equity	53,063,769	41,792,394
Total liabilities and stockholders' equity	\$ 59,649,265	\$ 46,971,815

See accompanying notes to unaudited condensed consolidated financial statements.

(1)

Table of Contents**Mast Therapeutics, Inc. and Subsidiaries**

(A Development Stage Enterprise)

Condensed Consolidated Statements of Operations and Comprehensive Income/(Loss)

(Unaudited)

	Three months ended		Nine months ended		Inception
	September 30,		September 30,		(June 12, 1996)
	2013	2012	2013	2012	through
					September 30, 2013
Revenues:					
Net sales	\$	\$	\$	\$	\$ 174,830
Licensing revenue					1,300,000
Grant revenue					618,692
Total net revenues					2,093,522
Cost of goods sold					51,094
Gross margin					2,042,428
Operating expenses:					
Research and development	3,102,240	1,657,902	9,382,087	5,976,217	95,439,543
Selling, general and administrative	2,158,417	1,816,181	6,371,048	5,732,478	74,037,760
Transaction-related expenses		(266,222)	35,000	(174,711)	706,652
Depreciation and amortization	10,064	10,638	28,738	77,569	11,053,973
Write-off of in-process research and development					10,422,130
Goodwill impairment					5,702,130
Equity in loss of investee					178,936
Total operating expenses	5,270,721	3,218,499	15,816,873	11,611,553	197,541,124
Loss from operations	(5,270,721)	(3,218,499)	(15,816,873)	(11,611,553)	(195,498,696)
Reduction of fair value of warrants					(12,239,688)
Interest income	17,327	18,347	42,638	56,300	4,874,846
Interest expense					(191,729)
Other income (expense), net	(137)	1,099	(1,335)	(7,480)	128,370
Loss before cumulative effect of change in accounting principle	(5,253,531)	(3,199,053)	(15,775,570)	(11,562,733)	(202,926,897)
Cumulative effect of change in accounting principle					(25,821)

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Net loss	(5,253,531)	(3,199,053)	(15,775,570)	(11,562,733)	(202,952,718)
Preferred stock dividends					(621,240)
Deemed dividends on preferred stock					(10,506,683)
Net loss applicable to common stock	\$ (5,253,531)	\$ (3,199,053)	\$ (15,775,570)	\$ (11,562,733)	\$ (214,080,641)
Net loss per common share and diluted	\$ (0.05)	\$ (0.07)	\$ (0.23)	\$ (0.24)	
Weighted average shares outstanding	102,710,286	47,715,709	67,781,879	47,715,709	
<u>Comprehensive Income/(Loss):</u>					
Net loss	\$ (5,253,531)	\$ (3,199,053)	\$ (15,775,570)	\$ (11,562,733)	\$ (202,952,718)
Other comprehensive gains (losses)	(19,884)	76	(26,528)	79	(28,722)
Comprehensive loss	\$ (5,273,415)	\$ (3,198,977)	\$ (15,802,098)	\$ (11,562,654)	\$ (202,981,440)

See accompanying notes to unaudited condensed consolidated financial statements.

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Table of Contents**Mast Therapeutics, Inc. and Subsidiaries**

(A Development Stage Enterprise)

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Nine months ended September 30,		Inception (June 12, 1996) through September 30, 2013
	2013	2012	
Cash flows from operating activities:			
Net loss	\$ (15,775,570)	\$ (11,562,733)	\$ (202,952,718)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	28,738	77,569	10,603,975
Loss on disposals of equipment		4,503	61,315
Loss on fair value of warrants			12,239,688
Loss/(gain) on change in fair value of contingent consideration	35,000	(174,711)	(1,493,907)
Amortization of debt discount			450,000
Forgiveness of employee receivable			30,036
Impairment loss write-off of goodwill			5,702,130
Share-based compensation expense related to employee stock options and restricted stock issued	1,159,021	1,073,872	12,708,345
Expenses related to options issued to non-employees			204,664
Expenses paid by issuance of common stock			1,341,372
Expenses paid by issuance of warrants			573,357
Expenses paid by issuance of preferred stock			142,501
Expenses related to stock warrants issued			612,000
Equity in loss of investee			178,936
In-process research and development			10,422,130
Write-off of license agreement			152,866
Impairment of equipment		300,114	510,739
Cumulative effect of change in accounting principle			25,821
Amortization of premium / (accretion of discount) on investments in securities		21,840	(1,571,502)
Changes in assets and liabilities, net of effect of acquisitions:			
Decrease/(increase) in prepaid expenses and other assets	90,500	(437,266)	(865,359)
Increase in accounts payable and accrued liabilities	1,533,636	127,484	3,828,814
Net cash used in operating activities	(12,928,675)	(10,569,328)	(147,094,797)

Cash flows from investing activities:			
Purchases of certificates of deposit	(19,407,030)	(13,581,000)	(43,390,209)
Proceeds from maturities of certificates of deposit	14,260,000	6,880,000	23,703,330
Proceeds from sale of certificate of deposit			248,000
Purchases of other investment securities			(111,183,884)
Proceeds from maturities and sales of other investment securities			113,036,378
Purchases of property and equipment	(45,348)	(210,909) &nb	