

NEKTAR THERAPEUTICS  
Form 10-Q  
August 04, 2016

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, 2016

or

TRANSITION REPORTS PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-24006

NEKTAR THERAPEUTICS

(Exact name of registrant as specified in its charter)

Delaware 94-3134940  
(State or other jurisdiction of (IRS Employer

incorporation or organization) Identification No.)

455 Mission Bay Boulevard South

San Francisco, California 94158

(Address of principal executive offices)

Edgar Filing: NEKTAR THERAPEUTICS - Form 10-Q

415-482-5300

(Registrant's telephone number, including area code)

(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 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  (Do not check if a smaller reporting company) Smaller reporting company

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

The number of outstanding shares of the registrant's Common Stock, \$0.0001 par value, was 136,732,450 on July 28, 2016.

NEKTAR THERAPEUTICS

INDEX

PART I: FINANCIAL INFORMATION

<u>Item 1. Condensed Consolidated Financial Statements — Unaudited:</u>	4
<u>Condensed Consolidated Balance Sheets — June 30, 2016 and December 31, 2015</u>	4
<u>Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2016 and 2015</u>	5
<u>Condensed Consolidated Statements of Comprehensive Loss for the three and six months ended June 30, 2016 and 2015</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2016 and 2015</u>	6
<u>Notes to Condensed Consolidated Financial Statements</u>	7
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	19
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	26
<u>Item 4. Controls and Procedures</u>	26

PART II: OTHER INFORMATION

<u>Item 1. Legal Proceedings</u>	28
<u>Item 1A. Risk Factors</u>	28
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	41
<u>Item 3. Defaults Upon Senior Securities</u>	41
<u>Item 4. Mine Safety Disclosures</u>	41
<u>Item 5. Other Information</u>	41
<u>Item 6. Exhibits</u>	42
<u>Signatures</u>	43

## Forward-Looking Statements

This report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act). All statements other than statements of historical fact are “forward-looking statements” for purposes of this quarterly report on Form 10-Q, including any projections of market size, earnings, revenue, milestone payments, royalties, sales or other financial items, any statements of the plans and objectives of management for future operations (including, but not limited to, preclinical development, clinical trials and manufacturing), any statements related to our financial condition and future working capital needs, any statements regarding potential future financing alternatives, any statements concerning proposed drug candidates, any statements regarding the timing for the start or end of clinical trials or submission of regulatory approval filings, any statements regarding future economic conditions or performance, any statements regarding the success of our collaboration arrangements, timing of commercial launches and product sales levels by our collaboration partners and future payments that may come due to us under these arrangements, any statements regarding our plans and objectives to initiate or continue clinical trials, and any statements of assumptions underlying any of the foregoing. In some cases, forward-looking statements can be identified by the use of terminology such as “may,” “will,” “expects,” “plans,” “anticipates,” “estimates,” “potential” or “contingent,” or the negative thereof or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements contained herein are reasonable, such expectations or any of the forward-looking statements may prove to be incorrect and actual results could differ materially from those projected or assumed in the forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to inherent risks and uncertainties, including, but not limited to, the risk factors set forth in Part II, Item 1A “Risk Factors” below and for the reasons described elsewhere in this quarterly report on Form 10-Q. All forward-looking statements and reasons why results may differ included in this report are made as of the date hereof and we do not intend to update any forward-looking statements except as required by law or applicable regulations. Except where the context otherwise requires, in this quarterly report on Form 10-Q, the “Company,” “Nektar,” “we,” “us,” and “our” refer to Nektar Therapeutics, a Delaware corporation, and, where appropriate, its subsidiaries.

## Trademarks

The Nektar brand and product names, including but not limited to Nektar<sup>®</sup>, contained in this document are trademarks and registered trademarks of Nektar Therapeutics in the United States (U.S.) and certain other countries. This document also contains references to trademarks and service marks of other companies that are the property of their respective owners.

## PART I: FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements—Unaudited:  
NEKTAR THERAPEUTICS

## CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value)

(Unaudited)

	June 30, 2016	December 31, 2015
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$55,676	\$55,570
Short-term investments	219,178	253,374
Accounts receivable, net	27,777	19,947
Inventory	10,262	11,346
Other current assets	5,427	9,814
Total current assets	318,320	350,051
Property, plant and equipment, net	67,774	71,336
Goodwill	76,501	76,501
Other assets	504	754
Total assets	\$463,099	\$498,642
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Current liabilities:		
Accounts payable	\$2,328	\$2,363
Accrued compensation	12,463	5,998
Accrued clinical trial expenses	13,470	8,220
Other accrued expenses	6,919	4,156
Interest payable	4,144	4,198
Capital lease obligations, current portion	3,616	4,756
Liability related to refundable upfront payment	12,500	—
Deferred revenue, current portion	16,015	21,428
Other current liabilities	7,827	10,127
Total current liabilities	79,282	61,246
Senior secured notes, net	242,567	241,699
Capital lease obligations, less current portion	2,756	1,073
Liability related to the sale of future royalties, net	111,590	116,029
Deferred revenue, less current portion	60,135	62,426
Other long-term liabilities	6,020	9,740
Total liabilities	502,350	492,213

Commitments and contingencies		
Stockholders' equity (deficit):		
Preferred stock, \$0.0001 par value; 10,000 shares authorized; no shares		
designated, issued or outstanding at June 30, 2016 or December 31, 2015	—	—
Common stock, \$0.0001 par value; 300,000 shares authorized; 136,602 shares and		
135,289 shares issued and outstanding at June 30, 2016 and December 31, 2015,		
respectively	13	13
Capital in excess of par value	1,898,342	1,876,072
Accumulated other comprehensive loss	(2,019 )	(2,170 )
Accumulated deficit	(1,935,587)	(1,867,486)
Total stockholders' equity (deficit)	(39,251 )	6,429
Total liabilities and stockholders' equity (deficit)	\$463,099	\$498,642

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

## NEKTAR THERAPEUTICS

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share information)

(Unaudited)

	Three months ended		Six months ended	
	June 30,	2015	June 30,	2015
	2016		2016	2015
<b>Revenue:</b>				
Product sales	\$12,867	\$10,968	\$26,966	\$18,942
Royalty revenue	3,516	745	7,576	870
Non-cash royalty revenue related to sale of future royalties	8,115	4,740	14,650	8,702
License, collaboration and other revenue	8,270	6,208	42,457	102,948
Total revenue	32,768	22,661	91,649	131,462
<b>Operating costs and expenses:</b>				
Cost of goods sold	7,708	10,534	16,578	18,978
Research and development	52,350	45,412	101,618	92,423
General and administrative	11,035	10,184	21,262	20,487
Total operating costs and expenses	71,093	66,130	139,458	131,888
Loss from operations	(38,325)	(43,469)	(47,809)	(426)
<b>Non-operating income (expense):</b>				