

VERTEX PHARMACEUTICALS INC / MA
Form 8-K
April 14, 2003

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **March 28, 2003**

Vertex Pharmaceuticals Incorporated

(Exact Name of Registrant as Specified in Its Charter)

MASSACHUSETTS
(State or Other Jurisdiction
of Incorporation)

0-19319
(Commission
File Number)

04-3039129
(I.R.S. Employer
Identification No.)

**130 WAVERLY STREET
CAMBRIDGE, MA 02139**

(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: **(617) 444-6100**

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

On March 28, 2003, Vertex Pharmaceuticals Incorporated ("Vertex") and its wholly-owned subsidiary PanVera LLC ("PanVera") completed the sale of PanVera's portfolio of proprietary reagents, probes and proteins and certain of its biochemical and cellular assay capabilities to Invitrogen Corporation ("Invitrogen"). In connection with such sale, Mirus Corporation ("Mirus") exercised a right of first refusal with respect to shares of Mirus owned by PanVera. Additionally, on the same date, Mirus acquired certain of PanVera's assets. The aggregate consideration received by PanVera for the assets conveyed was approximately \$95 million in cash and assumption of certain liabilities, subject to certain adjustments. The purchase price for the assets sold to Invitrogen and Mirus was agreed upon following an arms length negotiation of the parties. PanVera is included in the Company's Discovery Tools and Services business segment and provides services and products that accelerate the discovery of new medicines by the pharmaceutical and biopharmaceutical industries. The sale does not include the instrumentation assets of the Discovery Tools and Services business segment.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

(b)

Pro Forma Financial Information

The following unaudited pro forma consolidated condensed financial information gives effect on a pro forma basis to the disposition of certain assets and liabilities of PanVera, a subsidiary of Vertex, as disclosed in Item 2 of this Current Report on Form 8-K, principally by subtracting from the historical consolidated financial position and results of operations of Vertex amounts attributable to the assets and liabilities disposed of, and adding to the historical consolidated financial position of Vertex an amount equal to the estimated cash proceeds from the disposition of such assets. The unaudited pro forma consolidated condensed balance sheet gives effect to this disposition as if it had occurred on December 31, 2002. The unaudited pro forma consolidated condensed statement of operations gives effect to the disposition as if it had occurred at the beginning of the period presented.

You should not assume that these pro forma statements are indicative of future results or the results we would have achieved had the transaction occurred at the dates presented. Additionally, these pro forma financial statements were prepared under rules established by the Securities and Exchange Commission in Article 11 of Regulation S-X. Accordingly we did not reflect the estimated gain on our sale of the assets in income.

This unaudited pro forma consolidated condensed financial information should be read in conjunction with Vertex's consolidated financial statements and notes thereto included in Vertex's Annual Report on Form 10-K for the year ended December 31, 2002. We have prepared the unaudited pro forma consolidated condensed financial information based upon estimates and assumptions we have deemed appropriate based upon currently available information, as discussed in the accompanying Notes to Unaudited Pro Forma Consolidated Condensed Financial Information. Estimates and assumptions include, but are not limited to, the costs directly attributable to the assets and liabilities disposed of since these assets and liabilities historically have been managed and operated as part of our Discovery Tools and Services Segment. We believe that our estimates and assumptions are reasonable, and the significant effects of this sale have been properly reflected in our pro forma financial statements. However, actual results may differ from the estimates and assumptions used. As described in Item 2 of this Current Report on Form 8-K and in the accompanying Notes to Unaudited Pro Forma Consolidated Condensed Financial Information the purchase price for the assets and liabilities disposed of is subject to certain adjustments based on the net book value of the assets on the closing date. The Pro Forma financial statements do not include any adjustments for these uncertainties.

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VERTEX PHARMACEUTICALS INCORPORATED
Unaudited Pro Forma Consolidated Condensed Balance Sheet**December 31, 2002****(amounts in thousands, except per share amounts)**

| | VERTEX Historical | Pro Forma Adjustments For Sale | Other Pro Forma Adjustments | Pro Forma |
|---|------------------------------|---|--|------------------|
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 108,098 | \$ | \$ 94,079(a) | \$ 202,177 |
| Marketable securities, available for sale | 526,886 | (341) | | 526,545 |
| Accounts receivable | 13,200 | (2,840) | | 10,360 |
| Prepaid expenses | 4,349 | (404) | | 3,945 |
| Other current assets | 4,039 | (2,114) | | 1,925 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total current assets | 656,572 | (5,699) | 94,079 | 744,952 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Restricted cash | 26,091 | | | 26,091 |
| Property and equipment, net | 95,991 | (8,608) | | 87,383 |
| Investments | 26,433 | | | 26,433 |
| Other assets | 10,633 | (7,922) | | 2,711 |

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| | VERTEX Historical | Pro Forma Adjustments For Sale | Other Pro Forma Adjustments | Pro Forma |
|--|----------------------|--------------------------------------|-----------------------------------|-------------------|
| Total assets | \$ 815,720 | \$ (22,229) | \$ 94,079 | \$ 887,570 |
| Liabilities and Stockholders' Equity | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 16,745 | \$ (1,203) | | \$ 15,542 |
| Accrued expenses and other current liabilities | 29,306 | (679) | 2,913(b) | 31,540 |
| Accrued interest | 4,463 | | | 4,463 |
| Deferred revenue | 11,888 | (2,459) | | 9,429 |
| Obligations under capital leases and other obligations | 2,195 | (230) | | 1,965 |
| Total current liabilities | 64,597 | (4,571) | 2,913 | 62,939 |
| Obligations under capital leases and other obligations, excluding current portion | 10,944 | (5,845) | 3,500(b) | 8,599 |
| Deferred revenue, excluding current portion | 46,598 | | | 46,598 |
| Convertible subordinated notes (due September 2007) | 315,000 | | | 315,000 |
| Total liabilities | 437,139 | (10,416) | 6,413 | 433,136 |
| Stockholder's Equity: | | | | |
| Preferred stock, \$0.01 par value; 1,000,000 shares authorized; none issued and outstanding at December 31, 2002. | | | | |
| Common stock, \$0.01 par value; 200,000,000 shares authorized; 76,357,412 shares issued and outstanding at December 31, 2002 | | | | |
| | 764 | | | 764 |
| Additional paid-in capital | 794,206 | | | 794,206 |
| Accumulated and other comprehensive income | 6,764 | (75) | | 6,689 |
| Accumulated deficit/retained earnings | (423,153) | (11,738) | 87,666 | (347,225) |
| Total stockholder's equity | 378,581 | (11,813) | 87,666 | 454,434 |
| Total liabilities and stockholder's equity | \$ 815,720 | \$ (22,229) | \$ 94,079 | \$ 887,570 |

See accompanying notes.

VERTEX PHARMACEUTICALS INCORPORATED

Unaudited Pro Forma Consolidated Condensed Statement of Operations

For the twelve months ended December 31, 2002

(amounts in thousands, except per share data)

| VERTEX Historical | Pro Forma Adjustments For | Pro Forma |
|----------------------|------------------------------|-----------|
|----------------------|------------------------------|-----------|

| | | Sale | |
|--|---------------------|--------------------|---------------------|
| Pharmaceuticals revenues: | | | |
| Royalties | \$ 10,209 | \$ | \$ 10,209 |
| Collaborative research and development revenues | 77,135 | | 77,135 |
| Discovery tools and services revenues | | | |
| Product sales and royalties | 51,772 | (39,940) | 11,832 |
| Service revenues | 21,969 | (11,694) | 10,275 |
| Total revenues | 161,085 | (51,634) | 109,451 |
| Costs and Expenses | | | |
| Royalty payments | 3,434 | | 3,434 |
| Cost of product sales and royalties | 13,684 | (7,048) | 6,636 |
| Costs of service revenues | 11,163 | (5,490) | 5,673 |
| Research and development | 203,018 | (5,199) | 197,819 |
| Sales, general and administrative | 49,390 | (6,930) | 42,460 |
| Total costs and expenses | 280,689 | (24,667) | 256,022 |
| Income (loss) from operations | (119,604) | (26,967) | (146,571) |
| Other, net | 10,983 | 886 | 11,869 |
| Net loss | \$ (108,621) | \$ (26,081) | \$ (134,702) |
| Basic and diluted net loss per common share | \$ (1.43) | | \$ (1.78) |
| Basic and diluted weighted average number of common shares outstanding | 75,749 | | 75,749 |

See accompanying notes.

Notes to Unaudited Pro Forma Consolidated Condensed Financial Information

Pro Forma Adjustments for Sale

These amounts represent the estimated historical balances and results of the PanVera net assets sold as of and for the period presented. Since these assets represent a portion of the historical Discovery Tools and Services business segment and were not separately managed operationally or financially, certain liabilities and operating expenses were estimated based on certain assumptions including relative headcount of employees that historically focused on the business being sold compared to total historical PanVera headcount.

Other Pro Forma Adjustments

- a) To record the proceeds we received from the sale of certain assets of PanVera of \$95 million after deduction of estimated transaction costs. The purchase price received is subject to adjustment based on the closing balance sheet calculation of the net assets sold. The proceeds reported do not include any potential purchase price adjustments.
- b)

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[Unaudited Pro Forma Consolidated Condensed Balance Sheet December 31, 2002 \(amounts in thousands, except per share amounts\)](#)

[Unaudited Pro Forma Consolidated Condensed Statement of Operations For the twelve months ended December 31, 2002 \(amounts in thousands, except per share data\)](#)

[Notes to Unaudited Pro Forma Consolidated Condensed Financial Information](#)

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