

GENOME THERAPEUTICS CORP

Form 10-Q

November 12, 2003

Table of Contents

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

For the Quarterly Period Ended: September 27, 2003

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

Commission File No: 0-10824

GENOME THERAPEUTICS CORP.

(Exact name of registrant as specified in its charter)

MASSACHUSETTS
(State or other jurisdiction of

incorporation or organization)

04-2297484
(I.R.S. Employer

Identification no.)

100 BEAVER STREET

WALTHAM, MASSACHUSETTS 02453

(Address of principal executive offices) (Zip code)

Edgar Filing: GENOME THERAPEUTICS CORP - Form 10-Q

Registrant's telephone number: (781) 398-2300

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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

COMMON STOCK
\$0.10 PAR VALUE

31,432,245 Shares
Outstanding November 07, 2003

Table of Contents

GENOME THERAPEUTICS CORP. AND SUBSIDIARY

INDEX TO FINANCIAL INFORMATION AND OTHER INFORMATION

	<u>Page</u>
Part I	
Financial Information (unaudited):	
<u>Consolidated Condensed Balance Sheets as of December 31, 2002 and September 27, 2003</u>	3
<u>Consolidated Statements of Operations for the thirteen and thirty-nine week periods ended September 28, 2002 and September 27, 2003</u>	4
<u>Consolidated Statements of Cash Flows for the thirty-nine week periods ended September 28, 2002 and September 27, 2003</u>	5
<u>Notes to Consolidated Condensed Financial Statements</u>	6-17
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	18-28
<u>Quantitative and Qualitative Disclosures about Market Risk</u>	29
<u>Controls and Procedures</u>	29
Part II	
Other Information:	
<u>Other Information</u>	30-31
<u>Signature</u>	32
<u>Exhibit Index</u>	33

Table of Contents**GENOME THERAPEUTICS CORP. AND SUBSIDIARY****CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

	December 31, 2002	September 27, 2003
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 14,228,507	\$ 14,270,060
Marketable securities (held-to-maturity)	32,584,384	9,832,126
Marketable securities (available-for-sale)	485,550	982,643
Interest receivable	784,372	239,604
Accounts receivable	2,043,862	179,253
Unbilled costs and fees	714,468	128,785
Prepaid expenses and other current assets	444,402	351,011
	<u>51,285,545</u>	<u>25,983,482</u>
Total Current Assets		
Property and Equipment, at cost:		
Laboratory and scientific equipment	21,906,312	18,443,609
Leasehold improvements	8,923,916	7,516,159
Equipment and furniture	1,281,932	1,232,431
	<u>32,112,160</u>	<u>27,192,199</u>
Less Accumulated depreciation	21,973,715	23,285,588
	<u>10,138,445</u>	<u>3,906,611</u>
Long-term Marketable Securities (held-to-maturity)	3,567,757	701,417
Other Assets	853,387	148,300
	<u>\$ 65,845,134</u>	<u>\$ 30,739,810</u>
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities:		
Current maturities of long-term obligations	\$ 2,623,986	\$ 1,166,667
Accounts payable	2,175,047	246,921
Accrued expenses	4,079,148	3,335,998
Clinical trial expense accrual	4,329,792	5,208,018
Deferred revenue	1,566,145	852,348
	<u>14,774,118</u>	<u>10,809,952</u>
Total Current Liabilities		
Long-term Obligations, net of current maturities	15,654,292	583,333
Shareholders' Equity:		
Common stock and additional paid-in capital	161,283,225	173,414,437
Accumulated deficit	(125,775,400)	(154,230,822)
Other shareholders' equity	(91,101)	162,910
	<u>35,416,724</u>	<u>19,346,525</u>
Total Shareholders' Equity		
	<u>\$ 65,845,134</u>	<u>\$ 30,739,810</u>

Edgar Filing: GENOME THERAPEUTICS CORP - Form 10-Q

See Notes to Consolidated Condensed Financial Statements

Table of Contents**GENOME THERAPEUTICS CORP. AND SUBSIDIARY****CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

	<u>Thirteen Week Period Ended</u>		<u>Thirty-Nine Week Period Ended</u>	
	<u>September 28, 2002</u>	<u>September 27, 2003</u>	<u>September 28, 2002</u>	<u>September 27, 2003</u>
Revenues:				
Biopharmaceutical	\$ 1,844,312	\$ 2,607,967	\$ 6,205,997	\$ 5,519,381
Genomics Services	3,155,353	261,573	10,942,853	1,799,240
Total revenues	4,999,665	2,869,540	17,148,850	7,318,621
Costs and Expenses:				
Cost of services	3,071,806		10,184,284	1,902,561
Research and development	9,206,536	6,487,736	25,339,525	17,541,087
Restructuring charge		742,166		4,732,914
Convertible Debt Retirement Expense		12,500		5,540,333
Selling, general and administrative	2,629,129	1,569,768	6,874,944	5,462,929
Total costs and expenses	14,907,471	8,812,170	42,398,753	35,179,824
Loss from operations	(9,907,806)	(5,942,630)	(25,249,903)	(27,861,203)
Other Income (Expense):				
Interest income	400,636	80,619	1,426,240	460,280
Interest expense	(557,865)	(23,653)	(1,402,081)	(995,977)
Gain (loss) on sale of fixed assets	(7,582)	73,636	50,865	(58,522)
Net Other Income (Expense)	(164,811)	130,602	75,024	(594,219)
Net loss	\$ (10,072,617)	\$ (5,812,028)	\$ (25,174,879)	\$ (28,455,422)
Net Loss per Common Share:				
Basic and diluted	\$ (0.44)	\$ (0.22)	\$ (1.10)	\$ (1.16)
Weighted Average Common Shares Outstanding:				
Basic and diluted	23,032,463	25,956,357	22,880,971	24,581,226

See Notes to Consolidated Condensed Financial Statements.

Table of Contents**GENOME THERAPEUTICS CORP. AND SUBSIDIARY****CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

	Thirty-nine Week Period Ended	
	September 28, 2002	September 27, 2003
Cash Flows from Operating Activities:		
Net loss	\$ (25,174,879)	\$ (28,455,422)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	3,673,273	2,109,412
Non-cash restructuring charge		3,700,075
Non-cash convertible debt retirement expense		4,012,269
Non-cash interest expense	357,425	1,225,454
(Gain) loss on disposal of equipment and leasehold improvements	(50,866)	58,522
Amortization of deferred compensation	362,622	621,205
Changes in assets and liabilities		
Interest receivable	425,177	544,768
Accounts receivable	(159,726)	1,864,609
Unbilled costs and fees	(429,787)	585,683
Prepaid expenses and other current assets	832,697	93,391
Accounts payable	(715,867)	(1,928,126)
Accrued expenses	483,356	(162,054)
Clinical trial expense accrual	2,703,538	878,226
Deferred revenue	(2,672,252)	(713,797)
Net cash used in operating activities	<u>(20,365,289)</u>	<u>(15,565,785)</u>
Cash Flows from Investing Activities:		
Purchases of marketable securities	(32,186,896)	(5,281,108)
Proceeds from maturities of marketable securities	34,809,258	30,674,413
Purchases of property and equipment	(2,741,451)	(106,445)
Proceeds from sale of property and equipment	67,600	470,269
Decrease in restricted cash	200,000	
(Increase) decrease in other assets	(773,097)	705,087
Net cash (used in) provided by investing activities	<u>(624,586)</u>	<u>26,462,216</u>