

Horizon Pharma plc
Form 10-Q
November 06, 2014
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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, 2014

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 001-35238

HORIZON PHARMA PUBLIC LIMITED COMPANY

(Exact name of registrant as specified in its charter)

Ireland
(State or other jurisdiction
of incorporation or organization)

Not Applicable
(I.R.S. Employer
Identification No.)

Adelaide Chambers

Peter Street, Dublin 8, Ireland
(Address of principal executive offices)

Not Applicable
(Zip Code)

011 353 1 649 8521

(Registrant's telephone number, including area code)

Not applicable

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

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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 in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Number of registrant's ordinary shares, nominal value \$0.0001, outstanding as of November 3, 2014: 118,852,790.

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****HORIZON PHARMA PLC****CONDENSED CONSOLIDATED BALANCE SHEETS****(UNAUDITED)****(In thousands, except share data)**

	September 30, 2014	December 31, 2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 248,781	\$ 80,480
Restricted cash	738	738
Accounts receivable, net	80,022	15,958
Inventories, net	23,848	8,701
Prepaid expenses and other current assets	7,378	4,888
Total current assets	360,767	110,765
Property and equipment, net	4,656	3,780
Other intangible assets, net	131,870	66,274
Developed technology, net	612,068	64,820
Other assets	15,534	6,957
TOTAL ASSETS	\$ 1,124,895	\$ 252,596
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Convertible debt, net	\$ 116,799	\$
Accounts payable	22,197	9,921
Accrued trade discounts and rebates	70,501	8,123
Accrued expenses	39,431	15,926
Accrued royalties - current portion	25,876	8,010
Deferred revenues - current portion	1,350	1,330
Total current liabilities	276,154	43,310
LONG-TERM LIABILITIES:		
Convertible debt, net of current		110,762
Long term debt	297,022	
Derivative liability		109,410
Accrued royalties, net of current	53,368	24,982
Deferred revenues, net of current	8,629	9,686
Deferred tax liabilities, net	4,083	3,362
Other long term liabilities	154	166
Total long-term liabilities	363,256	258,368

COMMITMENTS AND CONTINGENCIES**SHAREHOLDERS' EQUITY:**

Ordinary shares, \$0.0001 nominal value; 300,000,000 shares authorized; 106,151,328 and 66,097,417 shares issued at September 30, 2014 and December 31, 2013, respectively, and 105,766,962 and 66,097,417 shares outstanding at September 30, 2014 and December 31, 2013, respectively			11	7
Treasury stock, 384,366 ordinary shares at September 30, 2014	(4,585)			
Additional paid-in capital	1,182,327		410,430	
Accumulated other comprehensive loss	(3,196)		(2,403)	
Accumulated deficit	(689,072)		(457,116)	
Total shareholders' equity (deficit)	485,485		(49,082)	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,124,895	\$ 252,596		

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

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
REVENUES:				
Net sales	\$ 75,126	\$ 24,112	\$ 193,114	\$ 43,936
Cost of goods sold	13,644	3,207	46,073	9,370
Gross profit	61,482	20,905	147,041	34,566
OPERATING EXPENSES:				
Research and development	4,223	2,154	10,601	7,185
Sales and marketing	31,111	15,621	86,932	48,475
General and administrative	38,109	5,874	66,982	15,998
Total operating expenses	73,443	23,649	164,515	71,658
Operating loss	(11,961)	(2,744)	(17,474)	(37,092)
OTHER INCOME (EXPENSE), NET:				
Interest expense, net	(5,194)	(3,601)	(13,608)	(10,646)
Foreign exchange (loss) gain	(2,754)	1,118	(3,076)	667
Loss on derivative fair value			(214,995)	
Bargain purchase gain	22,171		22,171	
Other, net	(3,241)		(8,241)	
Total other income (expense), net	10,982	(2,483)	(217,749)	(9,979)
Loss before (benefit) expense for income taxes	(979)	(5,227)	(235,223)	(47,071)
BENEFIT (EXPENSE) FOR INCOME TAXES	(3,042)	265	(3,267)	(967)
NET INCOME (LOSS)	\$ 2,063	\$ (5,492)	\$ (231,956)	\$ (46,104)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:				
Basic	78,392,971	64,645,677	73,109,603	63,168,797
Diluted	85,687,267	64,645,677	73,109,603	63,168,797
NET INCOME (LOSS) PER SHARE:				
Basic	\$ 0.03	\$ (0.08)	\$ (3.17)	\$ (0.73)
Diluted	\$ 0.02	\$ (0.08)	\$ (3.17)	\$ (0.73)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX				
Foreign currency translation adjustments	(654)	993	(793)	598
Other comprehensive (loss) income	(654)	993	(793)	598
COMPREHENSIVE INCOME (LOSS)	\$ 1,409	\$ (4,499)	\$ (232,749)	\$ (45,506)

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

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HORIZON PHARMA PLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(In thousands)

	Nine Months Ended September 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (231,956)	\$ (46,104)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Change in estimate of VIMOVO royalties	13,033	
Depreciation and intangible amortization expense	17,662	5,838
Share-based compensation	10,111	3,206
Royalty accretion	5,617	
Loss on derivative revaluation	214,995	
Bargain purchase gain	(22,171)	
Amortization of debt discount and deferred financing costs	7,087	3,043
Loss on asset disposal		