

MERRIMACK PHARMACEUTICALS INC
Form 10-Q
August 04, 2016

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 June 30, 2016

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: 001-35409

Merrimack Pharmaceuticals, Inc.

(Exact name of registrant as specified in its charter)

Delaware 04-3210530
(State or other jurisdiction of (I.R.S. Employer

incorporation or organization) Identification Number)

One Kendall Square, Suite B7201

Cambridge, MA 02139
(Address of principal executive offices) (Zip Code)

(617) 441-1000

(Registrant's telephone number, including area code)

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 ☐ (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 ☒

As of July 29, 2016, there were 129,240,796 shares of Common Stock, \$0.01 par value per share, outstanding.

TABLE OF CONTENTS

PART I

FINANCIAL INFORMATION

Item	<u>Financial Statements.</u>	Page
1.		2
	<u>Condensed Consolidated Balance Sheets – June 30, 2016 and December 31, 2015 (unaudited)</u>	2
	<u>Condensed Consolidated Statements of Operations and Comprehensive Loss – Three and Six Months Ended June 30, 2016 and 2015 (unaudited)</u>	3
	<u>Condensed Consolidated Statements of Cash Flows – Six Months Ended June 30, 2016 and 2015 (unaudited)</u>	4
	<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	5
Item	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations.</u>	17
2.		
Item	<u>Quantitative and Qualitative Disclosures About Market Risk.</u>	32
3.		
Item	<u>Controls and Procedures.</u>	32
4.		

PART II

OTHER INFORMATION

Item 1A.	<u>Risk Factors.</u>	33
Item 6.	<u>Exhibits.</u>	61
	<u>Signatures</u>	62
	<u>Exhibit Index</u>	63

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements of historical facts, contained in this Quarterly Report on Form 10-Q, including statements regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans and objectives of management, are forward-looking statements. The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “target,” “potential,” “will,” “would,” “could,” “might,” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

The forward-looking statements in this Quarterly Report on Form 10-Q include, among other things, statements about:

- the market potential and our commercialization efforts for ONIVYDE®, which we market in the United States;
 - our plans to develop and commercialize our clinical stage product candidates and diagnostics;
- our ongoing and planned discovery programs, preclinical studies and clinical trials;
- the timing of the completion of our clinical trials and the availability of results from such trials;
- our collaborations with Baxalta Incorporated, Baxalta US Inc. and Baxalta GmbH, which we collectively refer to as Baxalta, and PharmaEngine, Inc., or PharmaEngine, related to ONIVYDE;
- our ability to establish and maintain additional collaborations;
- the timing of and our ability to obtain and maintain regulatory approvals for our products and product candidates;
- the rate and degree of market acceptance and clinical utility of our products;
- our intellectual property position;
- our commercialization, marketing and manufacturing capabilities and strategy;
- the potential advantages of our systems biology approach to drug research and development;
- the potential use of our systems biology approach in fields other than oncology; and
- our estimates regarding expenses, future revenues, capital requirements and needs for additional financing.

We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. We have included important factors in the cautionary statements included in this Quarterly Report on Form 10-Q, particularly in Part II, Item 1A. Risk Factors, that could cause actual results or events to differ materially from the forward-looking statements that we make. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, collaborations or investments that we may make.

You should read this Quarterly Report on Form 10-Q and the documents that we have filed as exhibits to this Quarterly Report on Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect. We do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

NOTE REGARDING TRADEMARKS

ONIVYDE® is a trademark of Merrimack Pharmaceuticals, Inc. Any other trademarks, trade names and service marks referred to in this Quarterly Report on Form 10-Q are the property of their respective owners.

PART I

FINANCIAL INFORMATION

Item 1. Financial Statements.

Merrimack Pharmaceuticals, Inc.
Condensed Consolidated Balance Sheets

(in thousands, except per share amounts)	June 30,	December 31,
(unaudited)	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$21,491	\$185,606
Marketable securities	61,176	—
Restricted cash	101	101
Accounts receivable, net	19,325	6,483
Inventory	12,321	3,717
Prepaid expenses and other current assets	4,619	5,487
Total current assets	119,033	201,394
Restricted cash	674	584
Property and equipment, net	19,614	21,915
Other assets	27	27
Intangible assets, net	7,066	7,355
Goodwill	3,605	3,605
Total assets	\$150,019	\$234,880
Liabilities, non-controlling interest and stockholders' deficit		
Current liabilities:		
Accounts payable, accrued expenses and other	\$44,796	\$52,082
Deferred revenues	44,157	50,137
Deferred rent		