

Cyclacel Pharmaceuticals, Inc.
Form 10-Q
November 13, 2006

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, 2006

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 0-50626

CYCLACEL PHARMACEUTICALS, INC.

(Exact name of Registrant as Specified in Its Charter)

DELAWARE
(State or Other Jurisdiction
of Incorporation or Organization)
150 JOHN F. KENNEDY PARKWAY, SHORT HILLS, NJ
(Address of principal executive offices)

91-1707622
(I.R.S. Employer
Identification No.)
07078
(Zip Code)

Registrant's telephone number, including area code: (973) 847-5955

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 a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" as defined in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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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 November 10, 2006 there were 16,157,953 shares of the registrant's common stock outstanding.

CYCLACEL PHARMACEUTICALS, INC.

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PART I. FINANCIAL INFORMATION

CYCLACEL PHARMACEUTICALS, INC.

(A Development Stage Company)

CONDENSED CONSOLIDATED BALANCE SHEETS

	As of September 30, 2006 (Unaudited) \$000	As of December 31, 2005 (Note 1) \$000
ASSETS		
Current assets:		
Cash and cash equivalents	49,787	3,117
Short-term investments	9,951	10,690
Prepaid expenses and other current assets	3,219	3,219
Total current assets	62,957	17,026
Property, plant and equipment (net)	1,555	2,045
Deposits and other assets	259	—
Goodwill	2,749	—
Total assets	67,520	19,071
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	1,505	2,159
Amounts due to Cyclacel Group plc	—	10,467
Accrued liabilities	2,304	1,869
Other current liabilities	278	128
Derivative liability	1,389	—
Current portion of other accrued restructuring charges	879	—
Current portion of equipment financing	156	251
Total current liabilities	6,511	14,874
Other accrued restructuring charges, net of current	1,673	—
Equipment financing, net of current	—	78
Total liabilities	8,184	14,952
Stockholders' equity:		
Preferred Ordinary shares, 0.1p par value; Nil and 21,000,000 shares authorized at September 30, 2006 and December 31, 2005, respectively; Nil and 17,965,835 shares issued and outstanding at September 30, 2006 and December 31, 2005, respectively. Aggregate liquidation preference of \$Nil and \$210,954,000 (\$11.74 per share) at September 30, 2006 and December 31, 2005, respectively	—	30
Ordinary shares, 0.1p par value; Nil and 5,748,428 shares authorized at September 30, 2006 and December 31, 2005, respectively; Nil and 1,871,210	—	2

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shares issued and outstanding at September 30, 2006 and December 31, 2005, respectively

Preferred stock, \$0.001 par value; 5,000,000 and Nil shares authorized at September 30, 2006 and December 31, 2005, respectively; 2,046,813 and Nil shares issued and outstanding at September 30, 2006 and December 31, 2005, respectively. Aggregate preference in liquidation of \$20,673,000 and \$Nil at September 30, 2006 and December 31, 2005, respectively

Common stock, \$0.001 par value; 100,000,000 and Nil shares authorized at September 30, 2006 and December 31, 2005, respectively; 16,157,991 and Nil shares issued and outstanding at September 30, 2006 and December 31, 2005, respectively

	2	—
	16	—
Additional paid-in capital	194,426	116,063
Accumulated other comprehensive loss	(2,367)	(2,958)
Deficit accumulated during the development stage	(132,741)	(109,018)
Total stockholders' equity	59,336	4,119
Total liabilities and stockholders' equity	67,520	19,071

SEE NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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CYCLACEL PHARMACEUTICALS, INC.
(A Development Stage Company)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the three months ended		For the nine months ended		Period from
	September 30,		September 30,		August 13,
	2006	2005	2006	2005	1996
	(inception) to				
	September 30,				
	2006				
	\$000, except per share and share amounts				
Revenues:					
Collaboration and research and development revenue	27	102	152	168	2,911
Grant revenue	56	57	118	118	3,438
	83	159	270	286	6,349
Operating expenses: ⁽¹⁾					
Research and development	(4,059)	(2,932)	(17,196)	(12,095)	(117,966)
General and administrative	(2,511)	(985)	(9,456)	(3,656)	(33,089)
Other restructuring costs	(225)	—	(225)	—	(225)
Total operating expenses	(6,795)	(3,917)	(26,877)	(15,751)	(151,280)
Operating loss	(6,712)	(3,758)	(26,607)	(15,465)	(144,931)

Other income (expense):

Costs associated with aborted 2004

IPO	—	—	—	—	(3,550)
Change in valuation of derivative	(64)	—	(162)	—	(162)
Interest income	793	196	1,565	604	7,844
Interest expense	(52)	(15)	(178)	(54)	(3,840)
Total other income (expense)	677	181	1,225	550	292
Loss before taxes	(6,035)	(3,577)	(25,382)	(14,915)	(144,639)
Income tax benefit	(603)	(601)	(1,659)	(1,506)	(11,898)
Net loss	(5,432)	(2,976)	(23,723)	(13,409)	(132,741)
Dividends on Preferred Ordinary shares	—	(2,967)	(2,827)	(8,910)	(38,122)
Net loss applicable to ordinary shareholders	(5,432)	(5,943)	(26,550)	(22,319)	(170,863)
Net loss per share – basic and diluted	\$ (0.34)	\$ (0.77)	\$ (2.07)	\$ (2.88)	
Weighted average shares	16,157,991	7,761,453	12,806,491	7,761,453	

(1) Amounts include stock-based compensation, consisting of stock-based compensation expense under SFAS 123R, the amortization of deferred stock-based compensation and the value of options issued to non-employees for services rendered, allocated as follows:

	For the three months ended September 30,		For the nine months ended September 30,		Period from August 13, 1996 (inception) to September 30, 2006
	2006	2005	2006	2005	2006
	\$000	\$000	\$000	\$000	\$000
Research and development	164	(668)	6,052	103	7,918
General and administrative	93	(129)	3,262	76	3,950
	257	(797)	9,314	179	11,868

SEE NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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CYCLACEL PHARMACEUTICALS, INC.

(A Development Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Unaudited)

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	For the three months ended September 30,		For the nine months ended September 30,		Period from August 13, 1996 (inception) to September 30, 2006
	2006	2005	2006	2005	2006
	\$000	\$000	\$000	\$000	\$000
Net loss	(5,432)	(2,976)	(23,723)	(13,409)	(132,741)
Currency translation	91	54			