

LEXICON PHARMACEUTICALS, INC./DE
Form 10-Q
November 08, 2010

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, 2010

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: 000-30111

Lexicon Pharmaceuticals, Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

76-0474169
(I.R.S. Employer
Identification Number)

8800 Technology Forest Place
The Woodlands, Texas 77381
(Address of Principal Executive Offices and Zip Code)

(281) 863-3000
(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

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(§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 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 November 4, 2010, 337,565,589 shares of the registrant’s common stock, par value \$0.001 per share, were outstanding.

Lexicon Pharmaceuticals, Inc.

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Factors Affecting Forward Looking Statements

This quarterly report on Form 10-Q contains forward-looking statements. These statements relate to future events or our future financial performance. We have attempted to identify forward-looking statements by terminology including “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “s” negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks outlined under “Part II, Item 1A. – Risk Factors,” that may cause our or our industry’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels or activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We are not under any duty to update any of the forward-looking statements after the date of this quarterly report on Form 10-Q to conform these statements to actual results, unless required by law.

Part I – Financial Information

Item 1. Financial Statements

Lexicon Pharmaceuticals, Inc.

Consolidated Balance Sheets
(In thousands, except par value)

Assets	As of September 30, 2010 (unaudited)	As of December 31, 2009
Current assets:		
Cash and cash equivalents	\$ 211,988	\$ 100,554
Short-term investments, including restricted investments of \$430	19,030	56,542
Short-term investments held by Symphony Icon, Inc. (Note 4)	—	5,417
Accounts receivable, net of allowances of \$35	1,340	815
Prepaid expenses and other current assets	3,259	6,356
Total current assets	235,617	169,684
Property and equipment, net of accumulated depreciation and amortization of \$78,403 and \$75,795, respectively	55,404	58,754
Goodwill	25,798	25,798
Other intangible assets	53,557	—
Other assets	497	3,525
Total assets	\$ 370,873	\$ 257,761
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$ 3,550	\$ 5,919
Accrued liabilities	7,437	5,611
Current portion of deferred revenue	847	942
Current portion of long-term debt	1,114	38,482
Total current liabilities	12,948	50,954
Deferred revenue, net of current portion	14,212	14,212
Long-term debt	27,640	28,482
Other long-term liabilities	47,219	616
Total liabilities	102,019	94,264
Commitments and contingencies		
Equity:		
Lexicon Pharmaceuticals, Inc. stockholders' equity:		
Preferred stock, \$.01 par value; 5,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$.001 par value; 900,000 shares authorized; 337,562 and 175,785 shares issued, respectively	338	176

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Additional paid-in capital	919,161	733,874
Accumulated deficit	(650,407)	(570,175)
Accumulated other comprehensive loss	(1)	—
Treasury stock, at cost, 158 and 80 shares, respectively	(237)	(88)
Total Lexicon Pharmaceuticals, Inc. stockholders' equity	268,854	163,787
Noncontrolling interest in Symphony Icon, Inc. (Note 4)	—	(290)
Total equity	268,854	163,497
Total liabilities and equity	\$ 370,873	\$ 257,761

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

Lexicon Pharmaceuticals, Inc.

Consolidated Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenues:				
Collaborative research	\$ 632	\$ 1,650	\$ 3,437	\$ 8,042
Subscription and license fees	149	481	218	1,246
Total revenues	781	2,131	3,655	9,288
Operating expenses:				
Research and development, including stock-based compensation of \$751, \$733, \$2,366 and \$2,328, respectively	20,086	19,320	61,413	62,404
General and administrative, including stock-based compensation of \$582, \$547, \$1,592 and \$1,750, respectively	4,948	4,568	15,535	14,993
Total operating expenses	25,034	23,888	76,948	77,397
Loss from operations	(24,253)	(21,757)	(73,293)	(68,109)
Gain on investments, net	—	185	141	1,008
Interest income	51	103	468	669
Interest expense	(637)	(785)	(2,093)	(2,180)
Other expense, net	(2,700)	(516)	(4,025)	(2,037)
Consolidated net loss before taxes	(27,539)	(22,770)	(78,802)	(70,649)
Income tax benefit	26	102	26	102
Consolidated net loss	(27,513)	(22,668)	(78,776)	(70,547)
Less: Net loss attributable to noncontrolling interest in Symphony Icon, Inc. (Note 4)	—	3,526	—	9,772
Net loss attributable to Lexicon Pharmaceuticals, Inc.	\$ (27,513)	\$ (19,142)	\$ (78,776)	\$ (60,775)
Net loss attributable to Lexicon Pharmaceuticals, Inc. per common share, basic and diluted	\$ (0.08)	\$ (0.14)	\$ (0.27)	\$ (0.44)
Shares used in computing net loss attributable to Lexicon Pharmaceuticals, Inc. per common share, basic and diluted	337,404	137,313	291,196	137,240

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

Lexicon Pharmaceuticals, Inc.

Consolidated Statements of Stockholders' Equity
(In thousands)
(Unaudited)

	Lexicon Pharmaceuticals, Inc. Stockholders								
	Common Shares	Stock Par Value	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock	Total	Noncontrolling Interest (Note 4)	Total Equity
Balance at December 31, 2008	136,797	\$ 137	\$ 672,838	\$ (487,395)	\$ —	\$ —	\$ 185,580	\$ 10,247	\$ 195,827
Stock-based compensation	—	—	4,443	—	—	—	4,443	—	4,443
Grant of restricted stock	534	—	—	—	—	—	—	—	—
Exercise of common stock options	121	—	265	—	—	—	265	—	265
Repurchase of common stock	—	—	—	—	—	(88)	(88)	—	(88)
Net loss	—	—	—	(60,775)	—	—	(60,775)	(9,772)	(70,547)
Unrealized loss on investments	—	—	—	—	(1)	—	(1)	—	(1)
Comprehensive loss							(60,776)		(70,548)
Balance at September 30, 2009									