

SUPERNUS PHARMACEUTICALS INC
Form 10-Q
August 03, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 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, 2017

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: 001-35518

SUPERNUS PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

20-2590184

(I.R.S. Employer
Identification No.)

1550 East Gude Drive, Rockville, MD

(Address of principal executive offices)

20850

(Zip Code)

(301) 838-2500

(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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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, a smaller reporting company, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company, and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of outstanding shares of the registrant's common stock, par value \$0.001 per share, as of the close of business on July 27, 2017 was 50,699,110.

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SUPERNUS PHARMACEUTICALS, INC.

FORM 10-Q QUARTERLY REPORT

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2017

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Table of Contents**PART I FINANCIAL INFORMATION****Supernus Pharmaceuticals, Inc.****Consolidated Balance Sheets****(in thousands, except share amounts)**

	June 30, 2017 (unaudited)	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 61,737	\$ 66,398
Marketable securities	31,229	23,723
Accounts receivable, net	51,157	41,527
Inventories, net	16,623	16,801
Prepaid expenses and other current assets	4,746	2,955
Total current assets	165,492	151,404
Long term marketable securities	104,632	75,410
Property and equipment, net	4,572	4,344
Deferred legal fees	11,887	19,860
Intangible assets, net	28,989	16,490
Other non-current assets	349	331
Deferred income taxes	30,449	41,729
Total assets	\$ 346,370	\$ 309,568
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable	\$ 7,577	\$ 8,055
Accrued sales deductions	47,621	41,943
Accrued expenses	23,434	27,427
Accrued income taxes payable	1,608	7
Non-recourse liability related to sale of future royalties, current portion	4,997	3,101
Deferred licensing revenue	287	209
Total current liabilities	85,524	80,742
Deferred licensing revenue, net of current portion	1,293	1,501
Convertible notes, net	1,472	4,165
Non-recourse liability related to sale of future royalties, long term	24,184	27,289
Other non-current liabilities	4,500	4,002
Derivative liabilities		114
Total liabilities	116,973	117,813
Stockholders equity:		
Common stock, \$0.001 par value, 130,000,000 shares authorized at June 30, 2017 and December 31, 2016; 50,733,662 and 49,971,267 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	51	50
Additional paid-in capital	285,572	276,127
Accumulated other comprehensive income (loss), net of tax	216	(134)
Accumulated deficit	(56,442)	(84,288)

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Total stockholders equity	229,397	191,755
Total liabilities and stockholders equity	\$ 346,370	\$ 309,568

See accompanying notes.

Table of Contents**Supernus Pharmaceuticals, Inc.****Consolidated Statements of Operations**

(in thousands, except share and per share data)

	Three Months ended June 30,		Six Months ended June 30,	
	2017	2016	2017	2016
	(unaudited)		(unaudited)	
Revenue				
Net product sales	\$ 73,328	\$ 50,335	\$ 129,697	\$ 93,360
Royalty revenue	1,179	1,205	2,328	2,324
Licensing revenue	1,322	86	1,380	135
Total revenue	75,829	51,626	133,405	95,819
Costs and expenses				
Cost of product sales	3,861	2,751	6,809	4,786
Research and development	10,823	11,109	20,425	21,671
Selling, general and administrative	35,078	26,121	63,316	51,281
Total costs and expenses	49,762	39,981	90,550	77,738
Operating income	26,067	11,645	42,855	18,081
Other income (expense)				
Interest income	656	365	1,187	693
Interest expense	(58)	(196)	(147)	(375)
Interest expense-nonrecourse liability related to sale of future royalties	(160)	(1,281)	(1,119)	(2,560)
Changes in fair value of derivative liabilities	23	123	76	224
Loss on extinguishment of debt	(103)		(204)	(382)
Total other income (expense)	358	(989)	(207)	(2,400)
Earnings before income taxes	26,425	10,656	42,648	15,681
Income tax expense	9,057	405	14,983	605
Net income	\$ 17,368	\$ 10,251	\$ 27,665	\$ 15,076
Earnings per share:				
Basic	\$ 0.34	\$ 0.21	\$ 0.55	\$ 0.31
Diluted	\$ 0.32	\$ 0.18	\$ 0.52	\$ 0.28
Weighted-average number of common shares outstanding:				
Basic	50,530,968	49,427,825	50,345,830	49,333,962
Diluted	53,223,714	51,745,342	53,026,323	51,484,686

See accompanying notes.

Table of Contents**Supernus Pharmaceuticals, Inc.****Consolidated Statements of Comprehensive Income****(in thousands)**

	Three Months ended June 30,		Six Months ended June 30,	
	2017	2016	2017	2016
	(unaudited)		(unaudited)	
Net income	\$ 17,368	\$ 10,251	\$ 27,665	\$ 15,076
Other comprehensive income:				
Unrealized net gain on marketable securities, net of tax	184	381	350	1,037
Other comprehensive income:	184	381	350	1,037
Comprehensive income	\$ 17,552	\$ 10,632	\$ 28,015	\$ 16,113

See accompanying notes.

Table of Contents**Supernus Pharmaceuticals, Inc.****Consolidated Statements of Cash Flows****(in thousands)**

	Six Months ended June 30,	
	2017	2016
	(unaudited)	
Cash flows from operating activities		
Net income	\$ 27,665	\$ 15,076
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on extinguishment of debt	204	382
Change in fair value of derivative liability	(76)	(224)
Depreciation and amortization	2,084	1,117
Non-cash interest expense, net/interest (income), net	(277)	405
Non-cash interest expense on non-recourse liability related to sale of future royalties	1,119	2,560
Non-cash royalty revenue	(2,328)	(2,324)
Share-based compensation expense	4,087	2,971
Deferred income tax provision	11,672	
Changes in operating assets and liabilities:		
Accounts receivable	(9,630)	(8,373)
Inventories	178	(3,786)
Prepaid expenses and other current assets	(1,791)	