

NOVAVAX INC
Form 10-Q
November 06, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
X 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 No. 0-26770

NOVAVAX, INC.

(Exact name of registrant as specified in its charter)

Delaware **22-2816046**
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

20 Firstfield Road, Gaithersburg, MD 20878
(Address of principal executive offices) (Zip code)

(240) 268-2000

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 x 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 x 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. (Check one):

Large accelerated filer Accelerated filer x Non-accelerated filer Smaller reporting company
(Do not check if a 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 x

The number of shares outstanding of the Registrant's Common Stock, \$0.01 par value, was 238,477,974 as of October 31, 2014.

NOVAVAX, INC.

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PART I. FINANCIAL INFORMATION**Item 1. Financial Statements****NOVAVAX, INC.****CONSOLIDATED BALANCE SHEETS**

(in thousands, except share and per share information)

	September 30, 2014 (unaudited)	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 34,473	\$ 119,471
Short-term investments available-for-sale	143,617	13,597
Restricted cash	—	1,417
Accounts receivable – billed	2,859	1,911
Account receivable – unbilled	4,233	4,988
Prepaid expenses	6,395	3,044
Other current assets	402	573
Total current assets	191,979	145,001
Investments available-for-sale	12,189	—
Property and equipment, net	17,492	14,251
Intangible assets, net	13,763	16,250
Goodwill	56,174	58,707
Restricted cash	758	757
Other non-current assets	159	159
Total assets	\$ 292,514	\$ 235,125
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,975	\$ 5,985
Accrued expenses and other current liabilities	13,712	10,411
Deferred revenue	3	271
Current portion of capital leases	89	108
Current portion of notes payable	795	877
Deferred rent	1,061	470

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Total current liabilities	18,635	18,122
Deferred revenue	2,500	2,500
Non-current portion of capital leases	150	195
Non-current portion of notes payable	571	1,004
Deferred rent	7,609	8,502
Other non-current liabilities	1,399	1,568
Total liabilities	30,864	31,891
Commitments and contingencies	—	—
Stockholders' equity:		
Preferred stock, \$0.01 par value, 2,000,000 shares authorized; no shares issued and outstanding	—	—
as of September 30, 2014 and December 31, 2013, respectively		
Common stock, \$0.01 par value, 300,000,000 shares authorized; 238,913,904 shares issued and 238,458,474 shares outstanding at September 30, 2014 and 209,110,744 shares issued and 208,655,314 shares outstanding at December 31, 2013	2,389	2,091
Additional paid-in capital	727,369	612,900
Accumulated deficit	(461,547)	(410,146)
Treasury stock, 455,430 shares, cost basis at both September 30, 2014 and December 31, 2013	(2,450)	(2,450)
Accumulated other comprehensive income (loss)	(4,111)	839
Total stockholders' equity	261,650	203,234
Total liabilities and stockholders' equity	\$ 292,514	\$ 235,125

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

NOVAVAX, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share information)

(unaudited)

	For the Three Months		For the Nine Months	
	<u>Ended September 30,</u>		<u>Ended September 30,</u>	
	2014	2013	2014	2013
Revenue:				
Government contracts	\$7,504	\$4,268	\$20,217	\$10,985
Research and development collaborations	710	534	3,718	1,182
Total revenue	8,214	4,802	23,935	12,167
Costs and expenses:				
Cost of government contracts revenue	4,027	2,276	12,150	5,619
Research and development	19,219	13,948	48,940	33,989
General and administrative	4,757	3,857	14,871	10,740
Total costs and expenses	28,003	20,081	75,961	50,348
Loss from operations	(19,789)	(15,279)	(52,026)	(38,181)
Other income (expense):				
Interest income	128	53	160	149
Interest expense	(47)	(64)	(150)	(132)
Other income (expense)	(19)	(10)		(10)
Change in fair value of warrant liability				267
Realized gains on investments			615	
Loss from operations before income tax	(19,727)	(15,300)	(51,401)	(37,907)
Income tax expense				22
Net loss	\$(19,727)	\$(15,300)	\$(51,401)	\$(37,929)
Basic and diluted net loss per share	\$(0.08)	\$(0.09)	\$(0.23)	\$(0.24)
Basic and diluted weighted average number of common shares outstanding	238,304	168,537	221,578	156,555

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**(in thousands)****(unaudited)**

	For the Three Months		For the Nine Months	
	<u>Ended September 30,</u>		<u>Ended September 30,</u>	
	2014	2013	2014	2013
Net loss	\$(19,727)	\$(15,300)	\$(51,401)	\$(37,929)
Other comprehensive income (loss):				
Net unrealized gains (losses) on investments available-for-sale	(54)	(33)	(28)	174
Reclassification adjustment for gains included in net loss			(615)	
Foreign currency translation adjustment	(2,764)	509	(4,307)	509
Other comprehensive income (loss)	(2,818)	476	(4,950)	683
Comprehensive loss	\$(22,545)	\$(14,824)	\$(56,351)	\$(37,246)

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

NOVAVAX, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	For the Nine Months Ended September 30,	
	2014	2013
Operating Activities:		
Net loss	\$(51,401)	\$(37,929)
Reconciliation of net loss to net cash used in operating activities:		
Change in fair value of warrant liability	—	(267)
Depreciation and amortization	2,995	1,636
Amortization of net premiums on investments	106	326
Loss on disposal of property and equipment	(13)	(37)
Deferred rent	(302)	678
Non-cash stock-based compensation	4,583	1,784
Realized gains on investments	(615)	—
Changes in operating assets and liabilities:		
Restricted cash	1,417	862
Accounts receivable – billed	(999)	(291)
Accounts receivable – unbilled	755	(1,624)
Prepaid expenses and other assets	(3,348)	639
Accounts payable and accrued expenses	(164)	623
Deferred revenue	(260)	(199)
Lease incentives received	—	703
Net cash used in operating activities	(47,246)	(33,096)
Investing Activities:		
Capital expenditures	(4,877)	(4,762)
Proceeds from disposal of property and equipment	39	83
Net cash received from Novavax AB acquisition	—	3,034
Proceeds from sales and maturities of investments	18,440	23,630
Purchases of investments		