

NANOGEN INC
Form 10-Q
November 15, 2004
Table of Contents

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 ACT OF 1934

For the quarterly period ended September 30, 2004

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 000-23541

NANOGEN, INC.

(Exact name of Registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)
10398 Pacific Center Court, San Diego, CA
(Address of principal executive offices)

33-0489621
(I.R.S. Employer
Identification No.)
92121
(Zip code)

(858) 410-4600

(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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). YES NO

As of November 11, 2004, 33,892,892 shares of the Registrant's Common Stock were outstanding.

Table of Contents

NANOGEN, INC.

FORM 10-Q

INDEX

	Page
PART I. <u>FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements:</u>	
<u>Consolidated Balance Sheets at September 30, 2004 (unaudited) and December 31, 2003</u>	3
<u>Consolidated Statements of Operations (unaudited) for the three and nine months ended September 30, 2004 and 2003</u>	4
<u>Consolidated Statements of Cash Flows (unaudited) for the nine months ended September 30, 2004 and 2003</u>	5
Notes to Consolidated Financial Statements (unaudited)	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	11
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	28
Item 4. <u>Controls and Procedures</u>	29
PART II: <u>OTHER INFORMATION</u>	
Item 6. <u>Exhibits</u>	30
<u>SIGNATURES</u>	31
<u>EXHIBIT INDEX</u>	32

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****NANOGEN, INC.****CONSOLIDATED BALANCE SHEETS**

(in thousands, except share data)

	September 30, 2004	December 31, 2003
	<u>(unaudited)</u>	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,063	\$ 8,550
Short-term investments	47,074	20,564
Receivables, net	1,127	1,415
Inventories, net	2,428	4,774
Other current assets	1,943	1,590
	<u>58,635</u>	<u>36,893</u>
Total current assets	58,635	36,893
Property and equipment, net	6,955	4,276
Acquired technology rights, net	1,732	2,508
Restricted cash	739	14
Other assets, net	982	158
Goodwill	10,566	
	<u>\$ 79,609</u>	<u>\$ 43,849</u>
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 1,599	\$ 290
Accrued liabilities	4,303	4,519
Deferred revenue	416	469
Current portion of capital lease obligations	502	743
	<u>6,820</u>	<u>6,021</u>
Total current liabilities	6,820	6,021
Capital lease obligations, less current portion	410	586
Other long-term liabilities	5,453	4,419
	<u>5,863</u>	<u>5,005</u>
Total long-term liabilities	5,863	5,005
Commitments and contingencies (Note 2 and Note 7)		
Stockholders' equity:		
Convertible preferred stock, \$0.001 par value, 5,000,000 shares authorized; no shares issued and outstanding at September 30, 2004 (unaudited) and December 31, 2003		
Common stock, \$0.001 par value, 50,000,000 shares authorized; 33,880,727 and 24,867,325 shares issued and outstanding at September 30, 2004 (unaudited) and December 31, 2003, respectively	34	25
Additional paid-in capital	272,161	209,014
Accumulated other comprehensive income (loss)	(123)	1,136
Deferred compensation	(260)	(175)
Accumulated deficit	(203,964)	(176,255)

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Treasury stock, at cost, 500,189 shares at September 30, 2004 (unaudited) and December 31, 2003	(922)	(922)
Total stockholders' equity	66,926	32,823
	\$ 79,609	\$ 43,849

See accompanying notes.

Table of Contents**NANOGEN, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****(unaudited)****(in thousands, except per share data)**

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2004	2003	2004	2003
Revenues:				
Product sales	\$ 671	\$ 752	\$ 2,280	\$ 1,642
License fees	25	46	214	46
Sponsored research		375	500	1,125
Contracts and grant	386	568	1,365	1,822
Total revenues	1,082	1,741	4,359	4,635
Costs and expenses:				
Cost of product sales	1,298	1,370	4,150	2,168
Research and development	4,514	4,280	12,901	13,473
Selling, general and administrative	4,811	3,485	12,626	11,681
Charge for acquired in-process research and development			3,758	
Impairment of acquired technology rights		1,024		1,024
Total costs and expenses	10,623	10,159	33,435	28,346
Loss from operations	(9,541)	(8,418)	(29,076)	(23,711)
Interest income, net	187	97	433	405
Other income (loss)	(36)	(24)	(209)	(150)
Gain (loss) on sale of investments	(37)	778	(47)	(2,790)
Gain (loss) on foreign currency translation	(15)		1,190	
Minority interest in loss of consolidated subsidiary		488		1,594
Net loss	\$ (9,442)	\$ (7,079)	\$ (27,709)	\$ (24,652)
Net loss per share basic and diluted	\$ (0.28)	\$ (0.33)	\$ (0.89)	\$ (1.14)
Number of shares used in computing net loss per share basic and diluted	33,336	21,781	31,034	21,652

See accompanying notes.

Table of Contents

NANOGEN, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(in thousands)

	Nine months ended September 30	
	2004	2003
Operating activities:		
Net loss	\$ (27,709)	\$ (24,652)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,678	3,256
Inventory impairment charges	2,429	829
Other asset impairment and non-cash charges	3,758	1,029
Loss on disposal of fixed assets	43	131
Accretion related to short-term investments	175	169
Foreign currency translation gain	(1,190)	
Stock-based compensation expense	505	152
Minority interest in loss of consolidated subsidiary		(1,594)
Loss (gain) on sale of short-term investments	47	2,790
Changes in operating assets and liabilities:		
Receivables	706	58
Inventories	(118)	(1,625)
Other assets	(753)	471
Accounts payable	(294)	(363)
Accrued liabilities	(1,796)	(1,263)
Deferred revenue and other long-term liabilities	(53)	442
Net cash used in operating activities	(21,572)	(20,170)
Investing activities:		
Purchase of short-term investments	(61,809)	(12,856)
Acquisition of business, net of cash acquired	(2,669)	
Proceeds from sale and maturities of short-term investments	34,956	30,270
Purchase of equipment, net	(397)	(1,097)
Purchase of patents and technology rights		(3)
Net cash provided by (used in) investing activities	(29,919)	16,314
Financing activities:		
Principal payments on capital lease obligations	(420)	(594)
Proceeds from development partner	441	749
Proceeds from restricted cash balances	14	50
Issuance of common stock, net	48,956	6,869
Net cash provided by financing activities	48,991	7,074
Effect of exchange rate changes	13	196

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Net increase/decrease in cash and cash equivalents	(2,487)	3,414
Cash and cash equivalents at beginning of period	8,550	9,353
	<u> </u>	<u> </u>
Cash and cash equivalents at end of period	\$ 6,063	\$ 12,767