

ChemoCentryx, Inc.
Form 10-Q
May 14, 2013
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2013

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: 001-35420

ChemoCentryx, Inc.

(Exact Name of Registrant as Specified in Its Charter)

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Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

94-3254365
(I.R.S. Employer
Identification No.)

850 Maude Avenue

Mountain View, California 94043

(Address of Principal Executive Offices) (Zip Code)

(650) 210-2900

(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 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 (Do not check if a smaller reporting company) 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

The number of outstanding shares of the registrant's common stock, par value \$0.001 per share, as of May 6, 2013, was 42,618,592.

Table of Contents

CHEMOCENTRYX, INC.

QUARTERLY REPORT ON FORM 10-Q

For the quarterly period ended March 31, 2013

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1.	<u>Financial Statements (Unaudited)</u>	
	<u>Condensed Consolidated Balance Sheets – March 31, 2013 and December 31, 2012</u>	3
	<u>Condensed Consolidated Statements of Operations – Three Months Ended March 31, 2013 and 2012</u>	4
	<u>Condensed Consolidated Statements of Comprehensive Loss – Three Months Ended March 31, 2013 and 2012</u>	5
	<u>Condensed Consolidated Statements of Cash Flows – Three Months Ended March 31, 2013 and 2012</u>	6
	<u>Notes to Condensed Consolidated Financial Statements</u>	7
Item 2.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	12
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	18
Item 4.	<u>Controls and Procedures</u>	19

PART II. OTHER INFORMATION

Item 1.	<u>Legal Proceedings</u>	20
Item 1A.	<u>Risk Factors</u>	20
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	20
Item 3.	<u>Defaults Upon Senior Securities</u>	20
Item 4.	<u>Mine Safety Disclosures</u>	20
Item 5.	<u>Other Information</u>	20
Item 6.	<u>Exhibits</u>	20

	<u>SIGNATURES</u>	21
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EXHIBIT INDEX

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

(in thousands except share and per share data)

	March 31, 2013 Unaudited	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 11,637	\$ 8,460
Short-term investments	64,268	94,234
Accounts receivable from related party	934	1,156
Prepaid expenses and other current assets	942	630
Total current assets	77,781	104,480
Property and equipment, net	1,315	1,421
Long-term investments	33,803	16,262
Other assets	287	160
Total assets	\$ 113,186	\$ 122,323
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 781	\$ 750
Accrued liabilities	5,440	6,267
Deferred revenue from related party	2,633	3,761
Current portion of equipment financing obligations	527	522
Total current liabilities	9,381	11,300
Noncurrent equipment financing obligations	233	379
Other non-current liabilities	287	298
Total liabilities	9,901	11,977
Stockholders equity:		
Preferred stock:		
Preferred stock, \$0.001 par value, 10,000,000 shares authorized; no shares issued and outstanding;	0	0
Common stock, \$0.001 par value, 200,000,000 shares authorized at March 31, 2013 and December 31, 2012, respectively; 36,834,405 shares and 36,354,547 shares issued and outstanding at March 31, 2013 and December 31, 2012, respectively, net of shares subject to repurchase	37	36
Additional paid-in capital	247,653	244,513
Note receivable	(16)	(16)
Accumulated other comprehensive (loss) income	(7)	2
Accumulated deficit	(144,382)	(134,189)
Total stockholders equity	103,285	110,346

Total liabilities and stockholders' equity	\$ 113,186	\$ 122,323
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See accompanying notes.

Table of Contents

CHEMOCENTRYX, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	Three Months Ended March 31,	
	2013	2012
Revenues:		
Collaborative research and development revenue from related party	\$ 1,927	\$ 1,018
Operating expenses:		
Research and development	9,255	6,909
General and administrative	2,964	2,562
Total operating expenses	12,219	9,471
Loss from operations	(10,292)	(8,453)
Other income (expense):		
Interest income	116	103
Interest expense	(17)	(735)
Total interest income (expense), net	99	(632)
Net loss	\$ (10,193)	\$ (9,085)
Basic and diluted net loss per common share	\$ (0.28)	\$ (0.28)
Shares used to compute basic and diluted net loss per common share	36,611	32,931

See accompanying notes.

Table of Contents

CHEMOCENTRYX, INC.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

(in thousands)

(unaudited)

	Three Months Ended March 31,	
	2013	2012
Net loss	\$ (10,193)	\$ (9,085)
Unrealized (loss) gain on available-for-sale securities	(9)	10
Comprehensive loss	\$ (10,202)	\$ (9,075)

Table of Contents**CHEMOCENTRYX, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)****(unaudited)**

	Three Months Ended March 31,	
	2013	2012
Operating activities		
Net loss	\$ (10,193)	\$ (9,085)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of property and equipment	142	159
Stock-based compensation	1,536	1,022
Amortization of premiums/discounts on investments, net	420	380
Noncash interest expense	(11)	408
Changes in assets and liabilities:		
Accounts receivable due from related party	222	13
Prepays and other current assets	(312)	(166)
Other assets	(127)	1,935
Accounts payable	31	1,021
Other liabilities	(846)	(1,069)
Deferred revenue	(1,128)	(1,017)
Net cash used in operating activities	(10,266)	(6,399)
Investing activities		
Purchases of property and equipment, net	(36)	(26)
Purchases of investments	(36,682)	(92,882)
Maturities of investments	48,697	22,849
Net cash provided by (used in) investing activities	11,979	(70,059)
Financing activities		
Proceeds from issuance of common stock	0	57,017
Proceeds from exercise of stock options	1,293	154
Proceeds from exercise of warrants	312	0
Payments on equipment financing obligations	(141)	(135)
Net cash provided by financing activities	1,464	57,036
Net increase (decrease) in cash and cash equivalents	3,177	(19,422)
Cash and cash equivalents at beginning of period	8,460	40,155
Cash and cash equivalents at end of period	\$ 11,637	\$ 20,733
Supplemental disclosures of cash flow information		
Cash paid for interest	\$ 9	\$ 14
Non-cash financing activity:		
Issuance of common stock for settlement of convertible debt, including accrued interest	\$ 0	\$ 10,215
	See accompanying notes.	

Table of Contents

CHEMOCENTRYX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2013

(unaudited)

1. Description of Business

ChemoCentryx, Inc. (the Company) commenced operations in 1997. The Company is a clinical-stage biopharmaceutical company focused on discovering, developing and commercializing orally administered chemokine-based therapeutics to treat autoimmune diseases, inflammatory disorders and cancer. The Company's principal operations are in the United States and it operates in one segment.

Unaudited Interim Financial Information

The financial information filed is unaudited. The Condensed Consolidated Financial Statements included in this report reflect all adjustments (consisting only of normal recurring adjustments) that the Company considers necessary for the fair statement of the results of operations for the interim periods covered and of the financial condition of the Company at the date of the interim balance sheet. The December 31, 2012 Condensed Consolidated Balance Sheet was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles in the United States of America (GAAP). The results for interim periods are not necessarily indicative of the results for the entire year or any other interim period. The Condensed Consolidated Financial Statements should be read in conjunction with the Company's financial statements and the notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2012 filed with the Securities and Exchange Commission, or SEC, on March 14, 2013.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

Reclassifications

Certain items in the Condensed Consolidated Statements of Cash Flows have been reclassified to conform to the current fiscal year's format.

Net Loss Per Share

Basic and diluted net loss per common share is computed by dividing net loss by the weighted-average number of vested common shares outstanding during the period. Participating securities are included in the computation of basic income per share using the two-class method. The calculation of diluted net loss per share excludes potential common stock because its effect is antidilutive. Potential common stock consists of incremental common shares issuable upon the exercise of stock options and warrants.

Table of Contents

For the three months ended March 31, 2013 and 2012, the Company's potential common stock includes the following shares, all of which have been excluded from the computation of diluted net loss per share because their impact is antidilutive:

	Three Months Ended March 31,	
	2013	2012
Options to purchase common stock	4,969,772	4,279,738
Warrants to purchase common stock	151,672	309,500
Common stock subject to repurchase	0	700
	5,121,444	4,589,938

3. Cash Equivalents and Investments

The amortized cost and fair value of cash equivalents and investments at March 31, 2013 and December 31, 2012 were as follows (in thousands):

	Amortized Cost	March 31, 2013 (unaudited) Gross Unrealized		Fair Value
		Gains	Losses	
Money market funds	\$ 12,093			