

INOVIO PHARMACEUTICALS, INC.

Form 10-Q

August 08, 2016

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 JUNE 30, 2016

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. 001-14888

INOVIO PHARMACEUTICALS, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE

33-0969592

(State or other jurisdiction of
incorporation or organization)

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

660 W. GERMANTOWN PIKE, SUITE 110

PLYMOUTH MEETING, PA

19462

(Address of principal executive offices) (Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (267) 440-4200

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

COMMON STOCK, \$0.001 PAR VALUE NASDAQ

(Title of Class)

(Name of Each Exchange on Which Registered)

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: NONE

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 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 ☒

☐

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 Act). Yes ☐ No ☒

The number of shares outstanding of the Registrant's Common Stock, \$0.001 par value, was 73,548,342 as of August 1, 2016.

INOVIO PHARMACEUTICALS, INC.
FORM 10-Q

For the Quarterly Period Ended June 30, 2016

INDEX

<u>Part I. Financial Information</u>	<u>1</u>
<u>Item 1. Financial Statements</u>	<u>1</u>
a) <u>Condensed Consolidated Balance Sheets as of June 30, 2016 (Unaudited) and December 31, 2015</u>	<u>1</u>
b) <u>Condensed Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2016 and 2015 (Unaudited)</u>	<u>2</u>
c) <u>Condensed Consolidated Statements of Comprehensive Loss for the Three and Six Months Ended June 30, 2016 and 2015 (Unaudited)</u>	<u>3</u>
d) <u>Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2016 and 2015 (Unaudited)</u>	<u>4</u>
e) <u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	<u>5</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>21</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>24</u>
<u>Item 4. Controls and Procedures</u>	<u>25</u>
 <u>Part II. Other Information</u>	 <u>26</u>
<u>Item 1. Legal Proceedings</u>	<u>26</u>
<u>Item 1A. Risk Factors</u>	<u>26</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>39</u>
<u>Item 3. Default Upon Senior Securities</u>	<u>39</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>40</u>
<u>Item 5. Other Information</u>	<u>40</u>
<u>Item 6. Exhibits</u>	<u>40</u>
<u>Signatures</u>	<u>41</u>

Part I. Financial Information

Item 1. Financial Statements

INOVIO PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2016 (Unaudited)	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$28,450,373	\$57,632,693
Short-term investments	106,082,989	105,357,277
Accounts receivable	10,365,950	7,333,059
Prepaid expenses and other current assets	1,188,042	917,257
Prepaid expenses and other current assets from affiliated entity	1,882,257	610,652
Total current assets	147,969,611	171,850,938
Fixed assets, net	8,700,628	7,306,695
Investment in affiliated entity- GeneOne	21,716,728	14,941,277
Investment in affiliated entity - PLS	5,309,488	5,045,915
Intangible assets, net	8,449,306	3,905,860
Goodwill	10,513,371	10,113,371
Other assets	1,326,317	676,803
Total assets	\$203,985,449	\$213,840,859
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$12,707,754	\$13,064,899
Accounts payable and accrued expenses due to affiliated entity	600,969	165,047
Accrued clinical trial expenses	5,006,287	2,600,483
Common stock warrants	1,815,343	1,301,138
Deferred revenue	14,502,626	13,449,768
Deferred revenue from affiliated entity	469,792	504,442
Deferred rent	391,913	380,629
Total current liabilities	35,494,684	31,466,406
Deferred revenue, net of current portion	374,043	103,074
Deferred revenue from affiliated entity, net of current portion	274,194	677,371
Deferred rent, net of current portion	5,576,953	5,485,313
Deferred tax liabilities	175,642	175,642
Total liabilities	41,895,516	37,907,806
Inovio Pharmaceuticals, Inc. stockholders' equity:		
Common stock	73,483	72,218
Additional paid-in capital	546,251,246	534,004,564
Accumulated deficit	(387,845,427)	(361,097,896)
Accumulated other comprehensive income	3,514,362	2,708,339
Total Inovio Pharmaceuticals, Inc. stockholders' equity	161,993,664	175,687,225
Non-controlling interest	96,269	245,828
Total stockholders' equity	162,089,933	175,933,053
Total liabilities and stockholders' equity	\$203,985,449	\$213,840,859

See accompanying notes to unaudited condensed consolidated financial statements.

INOVIO PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenues:				
Revenue under collaborative research and development arrangements	\$ 1,889,988	\$ 4,335,236	\$ 3,686,845	\$ 8,580,807
Revenue under collaborative research and development arrangements with affiliated entity	499,720	166,667	636,720	279,167
Grants and miscellaneous revenue	3,814,083	784,775	9,990,381	1,593,341
Total revenues	6,203,791	5,286,678	14,313,946	10,453,315
Operating expenses:				
Research and development	19,630,801	16,688,511	37,819,961	26,114,831
General and administrative	5,799,530	4,718,260	11,171,143	8,826,188
Gain on sale of assets	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Total operating expenses	24,430,331	20,406,771	47,991,104	33,941,019
Loss from operations	(18,226,540)	(15,120,093)	(33,677,158)	(23,487,704)
Other income (expense):				
Interest and other income, net	341,131	146,332	674,201	284,608
Change in fair value of common stock warrants, net	(113,775)	(49,773)	(520,024)	(51,000)
Gain (loss) on investment in affiliated entity	(705,527)	8,861,145	6,775,450	6,508,836
Net loss	(18,704,711)	(6,162,389)	(26,747,531)	(16,745,260)
Net loss attributable to non-controlling interest	—	(85,861)	—	(84,769)
Net loss attributable to Inovio Pharmaceuticals, Inc.	\$(18,704,711)	\$(6,248,250)	\$(26,747,531)	\$(16,830,029)
Net loss per common share attributable to Inovio Pharmaceuticals, Inc. stockholders:				
Basic	\$(0.26)	\$(0.09)	\$(0.37)	\$(0.26)
Diluted	\$(0.26)	\$(0.09)	\$(0.37)	\$(0.27)
Weighted average number of common shares outstanding used in per share calculations:				
Basic	72,957,159	67,655,975	72,591,986	64,198,528
Diluted	72,957,159	67,838,738	72,591,986	64,376,523

See accompanying notes to unaudited condensed consolidated financial statements.

INOVIO PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net loss	\$(18,704,711)	\$(6,162,389)	\$(26,747,531)	\$(16,745,260)
Other comprehensive income (loss):				
Unrealized gain on investment in affiliated entity, net of tax	282,572	—	263,575	—
Unrealized gain (loss) on short-term investments, net of tax	322,767	(132,670)	542,448	(72,802)
Comprehensive loss	(18,099,372)	(6,295,059)	(25,941,508)	(16,818,062)
Comprehensive loss attributable to non-controlling interest	—	(85,861)	—	(84,769)
Comprehensive loss attributable to Inovio Pharmaceuticals, Inc.	\$(18,099,372)	\$(6,380,920)	\$(25,941,508)	\$(16,902,831)

See accompanying notes to unaudited condensed consolidated financial statements.

INOVIO PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2016	2015
Cash flows from operating activities:		
Net loss	\$(26,747,531)	\$(16,745,260)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	827,327	451,386
Amortization of intangible assets	556,554	442,615
Change in value of common stock warrants	520,025	51,000
Stock-based compensation	5,251,166	3,773,134
Amortization of premiums on investments	139,659	154,655
Deferred rent	(31,783)	) 241,708
Gain on investment in affiliated entity	(6,775,450)	) (6,508,836)
Gain on sale of intangible assets	(1,000,000)	) (1,000,000)
Changes in operating assets and liabilities:		
Accounts receivable	(3,032,891)	) (2,804,638)
Prepaid expenses and other current assets	(270,785)	) 246,675
Prepaid expenses and other current assets from affiliated entity	(1,271,605)	) 337,005
Other assets	(655,334)	) (106,774)
Accounts payable and accrued expenses	(247,009)	) (505,047)
Accrued clinical trial expenses	2,405,804	539,055
Accounts payable and accrued expenses due to affiliated entity	435,922	3,388,610
Deferred revenue	1,323,827	(2,895,227)
Deferred revenue from affiliated entity	(437,827)	) (150,000)
Net cash used in operating activities	(29,009,931)	) (21,089,939)
Cash flows from investing activities:		
Purchases of investments	(27,985,410)	) (35,193,487)
Maturities of investments	27,662,695	3,745,000
Purchases of capital assets	(2,196,896)	) (1,173,024)
Proceeds from sale of intangible assets	1,000,000	1,000,000
Purchase of intangible assets and other assets	(1,200,000)) —
Net cash used in investing activities	(2,719,611)	) (31,621,511)
Cash flows from financing activities:		
Proceeds from issuance of common stock, net of issuance costs	1,301,435	81,902,363
Proceeds from stock option and warrant exercises, net of tax payments	1,395,346	562,679
Other financing activities	(149,559)) —
Net cash provided by financing activities	2,547,222	82,465,042
Decrease in cash and cash equivalents	(29,182,320)	) 29,753,592
Cash and cash equivalents, beginning of period	57,632,693	40,543,982
Cash and cash equivalents, end of period	\$28,450,373	\$70,297,574
Supplemental disclosure of non-cash activities		
Common stock issued for purchase of intangible assets and other assets	\$4,300,000	\$—
Change in amounts accrued for purchases of property and equipment	\$(110,136)	) \$190,109
Lease incentive recorded as fixed assets and deferred rent	\$134,500	\$—
See accompanying notes to unaudited condensed consolidated financial statements.		

INOVIO PHARMACEUTICALS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Organization and Operations

Inovio Pharmaceuticals, Inc. (the “Company” or “Inovio”), a clinical stage biopharmaceutical company, develops active DNA immunotherapies and vaccines in combination with proprietary electroporation delivery devices to prevent and treat cancers and infectious diseases. Inovio’s synthetic products are based on the Company’s SynCon® design. The Company has completed, current or planned clinical programs of its proprietary SynCon® products for HPV-caused pre-cancers and cancers, influenza, prostate cancer, breast/lung/pancreatic cancer, hepatitis C virus (HCV), hepatitis B virus (HBV), HIV, Ebola, Middle East Respiratory Syndrome (MERS) and Zika virus. The Company's partners and collaborators include MedImmune, LLC, F. Hoffmann-La Roche Ltd and Hoffmann-La Roche Inc. (“Roche”), The Wistar Institute, University of Pennsylvania, GeneOne Life Science Inc. (“GeneOne”), Drexel University, National Microbiology Laboratory of the Public Health Agency of Canada, National Institute of Allergy and Infectious Diseases (“NIAID”), United States Military HIV Research Program (“USMHRP”), U.S. Army Medical Research Institute of Infectious Diseases (“USAMRIID”), HIV Vaccines Trial Network (“HVTN”), and Defense Advanced Research Projects Agency (“DARPA”). Inovio is incorporated in Delaware.

2. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Inovio have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial information and with instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The condensed consolidated balance sheet as of June 30, 2016, condensed consolidated statements of operations for the three and six months ended June 30, 2016 and 2015, condensed consolidated statements of comprehensive loss for the three and six months ended June 30, 2016 and