Teligent, Inc.
Form 10-Q
May 10, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2016

¨ **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 001-08568

Teligent, Inc.

(Formerly IGI Laboratories, Inc.)

(Exact name of registrant as specified in its charter)

Delaware	**01-0355758**
(State or other Jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

105 Lincoln Avenue
Buena, New Jersey **08310**
(Address of Principal Executive Offices) *(Zip Code)*

(856) 697-1441

(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 þ 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 þ 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	þ
Non-accelerated filer	¨	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 þ

The number of shares outstanding of the issuer's common stock is 53,059,273 shares as of May 4, 2016.

PART I

FINANCIAL INFORMATION

ITEM 1. Financial Statements

TELIGENT, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

For the three months ended March 31, 2016 and 2015

(in thousands, except shares and per share information)

(Unaudited)

	March 31, 2016	March 31, 2015
Revenues:		
Product sales, net	$15,422	$10,510
Research and development services and other income	235	161
Total revenues	15,657	10,671
Costs and Expenses:		
Cost of revenues	7,702	5,043
Selling, general and administrative expenses	3,407	1,900
Product development and research expenses	3,711	2,630
Total costs and expenses	14,820	9,573
Operating income	837	1,098
Other Income (Expense):		
Change in the fair value of derivative liability	-	8,625
Foreign currency exchange gain	1,553	-
Interest and other expense, net	(3,318)	(3,168)
(Loss) income before income tax expense	(928)	6,555
Income tax expense	22	-
Net (loss) income	$(950)	$6,555
Basic earnings (loss) per share	$(0.02)	$0.12
Diluted earnings (loss) per share	$(0.02)	$0.01

Weighted average shares of common stock outstanding:		
Basic	53,031,351	52,841,900
Diluted	53,031,351	67,210,177

The accompanying notes are an integral part of the condensed consolidated financial statements.

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TELIGENT, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share information)

	March 31, 2016 (Unaudited)	December 31, 2015*
ASSETS		
Current assets:		
Cash and cash equivalents	$ 87,040	$ 87,191
Accounts receivable, net	13,159	14,028
Inventories	10,091	8,985
Prepaid expenses and other receivables	7,450	6,597
Total current assets	117,740	116,801
Property, plant and equipment, net	11,125	8,706
Debt issuance costs, net	3,830	4,027
Intangible assets, net	54,916	54,320
Goodwill	459	426
Other	474	482
Total assets	$ 188,544	$ 184,762
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 4,437	$ 3,955
Accrued expenses	8,163	6,267
Deferred income, current	324	476
Capital lease obligation, current	40	70
Total current liabilities	12,964	10,768
Convertible 3.75% senior notes, net of debt discount (face of $143,750)	108,800	106,991
Deferred tax liability	261	244
Total liabilities	122,025	118,003
Stockholders' equity:		
Common stock, $0.01 par value, 60,000,000 shares authorized; 53,059,273 and 53,000,689 shares issued and outstanding as of March 31, 2016 and December 31, 2015, respectively	550	549
Additional paid-in capital	100,011	99,258
Accumulated deficit	(33,868)	(32,918)
Accumulated other comprehensive loss, net of taxes	(174)	(130)
Total stockholders' equity	66,519	66,759
Total liabilities and stockholders' equity	$ 188,544	$ 184,762

*Derived from the audited December 31, 2015 financial statements

The accompanying notes are an integral part of the condensed consolidated financial statements.

TELIGENT, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the three months ended March 31, 2016 and 2015

(in thousands, except shares and per share information)

(Unaudited)

	March 31, 2016	March 31, 2015
Net (loss) income	$ (950)	$ 6,555
Other comprehensive (loss) income, net of tax		
Foreign currency translation adjustment	(44)	-
Other comprehensive loss	(44)	-
Comprehensive (loss) income	$ (994)	$ 6,555

The accompanying notes are an integral part of the condensed consolidated financial statements.

TELIGENT, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

For the three months ended March 31, 2016

(in thousands, except share information)

(Unaudited)

	Common Stock		Additional Paid-In	Accumulated	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Capital	Deficit	Income (Loss)	Equity
Balance, December 31, 2015	53,000,689	$ 549	$ 99,258	$ (32,918)	$ (130)	$ 66,759
Stock based compensation expense			753			753

Stock options exercised	1,000		1			1
Issuance of stock for vested restricted stock units	52,584	1	(1)			-
Issuance of stock to a consultant	5,000		36			36
Costs related to recovery from stockholder			(36)			(36)
Cumulative translation adjustment					(44)	(44)
Net loss	-	-	-	(950)	-	(950)
Balance, March 31, 2016	53,059,273	$ 550	$ 100,011	$ (33,868)	$ (174)	$ 66,519

The accompanying notes are an integral part of the condensed consolidated financial statements.

TELIGENT, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31, 2016 and 2015

(in thousands)

(Unaudited)

	March 31, 2016	March 31, 2015
Cash flows from operating activities:		
Net (loss) income	$ (950)	$ 6,555
Reconciliation of net (loss) income to net cash provided by (used in) operating activities		
Depreciation and amortization of fixed assets	174	118
Amortization of license fee	-	25
Stock based compensation	753	378
Amortization of debt issuance costs	197	195
Amortization of intangibles	705	30
Foreign currency exchange gain	(1,553)	-
Amortization of debt discount on convertible 3.75% senior notes	1,809	1,590
Change in the fair value of derivative liability	-	(8,625)
Changes in operating assets and liabilities		
Accounts receivable	927	(1,939)
Inventories, net	(954)	(938)
Prepaid expenses and other current receivables	(545)	(148)
Other assets	8	-
Accounts payable and accrued expenses	2,364	2,705
Deferred income	(153)	(60)
Net cash provided by (used in) operating activities	2,782	(114)
Cash flows from investing activities:		
Product acquisition costs	(330)	(1,500)
Capital expenditures	(2,586)	(211)
Net cash used in investing activities	(2,916)	(1,711)
Cash flows from financing activities:		
Proceeds from exercise of common stock options and warrants	1	15
Principal payments on capital lease obligations	(30)	(33)
Debt issuance costs	-	(9)
Costs related to recovery from stockholder	(36)	-
Net cash used in financing activities	(65)	(27)

Effect of exchange rate on cash and cash equivalents	48	-
Net decrease in cash and cash equivalents	(199)	(1,852)
Cash and cash equivalents at beginning of period	87,191	158,883
Cash and cash equivalents at end of period	$ 87,040	$ 157,031
Supplemental Cash flow information:		
Cash payments for interest	$ 1	$ 49
Cash payments for income taxes	22	45
Non cash investing and financing transactions:		
Issuance of restricted stock	$ -	$ 347
Issuance of stock to a consultant	$ 36	$ -

The accompanying notes are an integral part of the condensed consolidated financial statements.

TELIGENT, INC. AND SUBSIDIARIES

NOTES TO (UNAUDITED) CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP",) for interim financial information and with the instructions to Form 10-Q and Article 8-03 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, as updated by other reports we may file from time to time with the Securities and Exchange Commission ("SEC"). The condensed consolidated balance sheet as of December 31, 2015 has been derived from those audited consolidated financial statements. Operating results for the three month period ended March 31, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016.

1. Organization and Business

Teligent, Inc., and its subsidiaries, (collectively the "Company"), is a specialty generic pharmaceutical company. Our mission is to become a leader in the specialty generic pharmaceutical market. Under our own label, we currently market and sell generic topical and branded and generic injectable pharmaceutical products in the United States and Canada. In the United States we currently market nine generic topical pharmaceutical products and four branded generic injectable pharmaceutical products. Through the completion of an acquisition, we now sell a total of eighteen generic and branded generic injectable products and medical devices in Canada. Generic pharmaceutical products are bioequivalent to their brand name counterparts. We also provide development, formulation, and manufacturing services to the pharmaceutical, over-the-counter ("OTC"), and cosmetic markets. We operate our business under one segment. Effective October 23, 2015, we changed our name from IGI Laboratories, Inc. to Teligent, Inc. On October 26, 2015, our common stock, which was previously listed on the NYSE MKT, began trading on the NASDAQ Global Select Market under the trading symbol "TLGT." Our office, laboratories and manufacturing facilities are located at 105 Lincoln Avenue, Buena, New Jersey.

2. Liquidity

The Company's principal sources of liquidity are cash and cash equivalents of approximately $87 million at March 31, 2016 and cash from operations. The Company terminated its $10 million credit facility with General Electric Capital Corporation, as agent, and GE Capital Bank and certain other institutions, as lenders, in February 2016.

On December 10, 2014, the Company entered into a purchase agreement (the "Purchase Agreement"), pursuant to which the Company agreed to sell its 3.75% Convertible Senior Notes due 2019 (the "Notes"). The Company received net proceeds of approximately $139 million, after expenses of approximately $4.8 million, upon completion of the transaction. The sale was completed on December 16, 2014. See Note 6.

The Company may require additional funding and this funding will depend, in part, on the timing and structure of potential business arrangements. If necessary, the Company may continue to seek to raise additional capital through the sale of its equity or through a strategic alliance with a third party. There may also be additional acquisition and growth opportunities that may require external financing. There can be no assurance that such financing will be available on terms acceptable to the Company, or at all. The Company also has the ability to defer certain product development and other programs, if necessary. The Company believes that its existing capital resources will be sufficient to support its current business plan and operations beyond May 2017.

3. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include valuation of the derivative liability, sales returns and allowances ("SRA"), allowances for excess and obsolete inventories, allowances for doubtful accounts, provisions for income taxes and related deferred tax asset valuation allowances, stock based compensation, the impairment of long-lived assets (including intangibles and goodwill) and accruals for environmental cleanup and remediation costs. Actual results could differ from those estimates.

Stock Based Compensation

ASC 718-10 defines the fair-value-based method of accounting for stock-based employee compensation plans and transactions used by the Company to account for its issuances of equity instruments to record compensation cost for stock-based employee compensation plans at fair value as well as to acquire goods or services from non-employees. Transactions in which the Company issues stock-based compensation to employees, directors and advisors and for goods or services received from non-employees are accounted for based on the fair value of the equity instruments issued. The Company utilizes pricing models in determining the fair values of options and warrants issued as stock-based compensation. These pricing models utilize the market price of the Company's common stock and the exercise price of the option or warrant, as well as time value and volatility factors underlying the positions. Stock-based compensation expense is recognized over the vesting period of the grant.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, trade receivables, restricted cash, notes payable, accounts payable, capital leases and other accrued liabilities at March 31, 2016 approximate their fair value for all periods presented. The Company measures fair value in accordance with ASC 820-10, "Fair Value Measurements and Disclosures". ASC 820-10 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, ASC 820-10 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.

Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The Company measures its derivative liability at fair value. The derivative embedded convertible option related to the Notes issued December 16, 2014 was valued using the "with" and "without" analysis. A "with" and "without" analysis is a standard valuation technique for valuing embedded derivatives by first considering the value of the Notes with the option and then considering the value of the Notes without the option. The difference is the fair value of the embedded derivatives. The embedded derivative is classified within Level 3 because it is valued using the "with" and "without" method, which does utilize inputs that are unobservable in the market.

On May 20, 2015, the Company received approval to increase its authorized shares sufficient to allow for the conversion of the entire note into equity at its annual shareholders meeting. Therefore, the derivative liability of $18.3 million was reclassified into stockholders equity. The Company recorded a change in the fair value of the derivative liability through May 20, 2015 of $23.1 million for the year ended December 31, 2015. On May 20, 2015, the Company reclassified the fair value of the derivative liability into stockholders equity due to the approval of sufficient shares. Based on the closing price of the Company's common stock as of March 31, 2016, the net carrying value of the Notes was approximately $108.8 million compared to their face value of $143.75 million as of March 31, 2016. However, this variance is due to the conversion feature in the Notes rather than to changes in market interest rates. The Notes carry a fixed interest rate and therefore do not subject the Company to interest rate risk.

Earnings (Loss) Per Share

Basic earnings (loss) per share of common stock is computed based on the weighted average number of shares of common stock outstanding during the period. Diluted earnings (loss) per share of common stock is computed using the weighted average number of shares of common stock and potential dilutive common stock equivalents outstanding during the period. Potential dilutive common stock equivalents include shares issuable upon the conversion of the Notes and the exercise of options and warrants. For the three months ended March 31, 2016, the potential dilutive common stock equivalents have been excluded from the computation of diluted earnings (loss) per share, as their effect would have been anti-dilutive.

For the three months ended March 31, 2016 and 2015

(in thousands except shares and per share data)

	2016	2015
Basic earnings (loss) per share computation:		
Net (loss) income - basic	$(950)	$6,555
Weighted average common shares - basic	53,031,351	52,841,900
Basic (loss) earnings per share	$(0.02)	$0.12
Dillutive earnings (loss) per share computation:		
Net (loss) income - basic	$(950)	$6,555
Interest expense related to convertible 3.75% senior notes	-	$1,348
Amortization of discount related to convertible 3.75% senior notes	-	$1,590
Change in the fair value of derivative	-	(8,625)
Net (loss) income - diluted	$(950)	$868
Share Computation:		
Weighted average common shares - basic	53,031,351	52,841,900
Effect of convertible 3.75% senior notes	-	12,732,168
Effect of dilutive stock options and warrants	-	1,636,109

Weighted average common shares outstanding - dilluted	53,031,351	67,210,177
Dilluted (loss) earnings per share	$(0.02)	$0.01

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Revenue Recognition

The Company considers revenue realized or realizable and earned when it has persuasive evidence of an arrangement, delivery has occurred or contractual services rendered, the sales price is fixed or determinable, and collection is reasonably assured in conformity with ASC 605, "*Revenue Recognition*".

The Company derives its revenues from three basic types of transactions: sales of its own