

STEMCELLS INC
Form 10-Q
November 05, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended: September 30, 2013

Commission File Number: 0-19871

STEMCELLS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of

94-3078125
(I.R.S. Employer

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incorporation or organization)

identification No)

7707 Gateway Blvd

Newark, CA 94560

(Address of principal executive offices including zip code)

(510) 456-4000

(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 twelve months (or for such shorter periods 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 (§ 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 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

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

At November 1, 2013, there were 54,971,174 shares of Common Stock, \$.01 par value, issued and outstanding.

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NOTE REGARDING REFERENCES TO US AND OUR COMMON STOCK	

Throughout this Form 10-Q, the words "we," "us," "our," and "StemCells" refer to StemCells, Inc., including our directly and indirectly wholly-owned subsidiaries. "Common stock" refers to the common stock, \$.01 par value, of StemCells, Inc.

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ITEM 1. FINANCIAL STATEMENTS

STEMCELLS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)

	September 30, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 20,955,293	\$ 8,471,275
Marketable securities, current		13,900,678
Trade receivables	125,487	110,159
Other receivables	491,556	200,788
Prepaid assets	464,464	537,590
Deferred financing costs, current	51,808	
Other assets, current	110,615	820,827
Total current assets	22,199,223	24,041,317
Property, plant and equipment, net	5,438,659	1,375,329
Deferred financing costs, non-current	32,571	
Other assets, non-current	999,776	947,301
Goodwill	1,973,302	1,983,426
Other intangible assets, net	1,673,051	1,822,904
Total assets	\$ 32,316,582	\$ 30,170,277
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 1,860,544	\$ 999,365
Accrued expenses and other current liabilities	2,303,506	2,707,441
Accrued wind-down expenses, current		1,102,762
Deferred revenue, current	67,588	74,426
Capital lease obligation, current	20,936	6,888
Deferred rent, current	28,050	
Loan payable net of discount, current	3,602,972	
Bonds payable, current	178,750	206,250
Total current liabilities	8,062,346	5,097,132
Bonds payable, non-current		125,000
Capital lease obligations, non-current	34,896	12,646
Loan payable net of discount, non-current	9,865,375	
Fair value of warrant liability	8,420,954	9,265,365
Deposits and other long-term liabilities	512,320	216,439
Deferred rent, non-current	1,792,683	1,389,342
Deferred revenue, non-current	67,116	79,736
Total liabilities	28,755,690	16,185,660
Commitments and contingencies (Note 8)		
Stockholders' equity:		

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Common stock, \$0.01 par value; 75,000,000 shares authorized; issued and outstanding 42,044,839 at September 30, 2013 and 37,506,305 at December 31, 2012	420,449	375,063
Additional paid-in capital	383,537,795	374,507,552
Accumulated deficit	(380,567,957)	(361,091,175)
Accumulated other comprehensive income	170,605	193,177
Total stockholders' equity	3,560,892	13,984,617
Total liabilities and stockholders' equity	\$ 32,316,582	\$ 30,170,277

See Notes to Condensed Consolidated Financial Statements.

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STEMCELLS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Revenue:				
Revenue from licensing agreements, grants and other	\$ 52,798	\$ 60,739	\$ 159,773	\$ 471,501
Revenue from product sales	271,994	203,256	730,916	685,364
Total revenue	324,792	263,995	890,689	1,156,865
Cost of product sales	85,743	71,891	230,157	208,127
Gross profit	239,049	192,104	660,532	948,738
Operating expenses:				
Research and development	5,184,365	3,478,142	14,553,145	11,165,599
Selling, general and administrative	1,710,749	1,636,438	5,180,027	5,336,105
Wind-down expenses		154,742	61,837	199,799
Total operating expenses	6,895,114	5,269,322	19,795,009	16,701,503
Loss from operations	(6,656,065)	(5,077,218)	(19,134,477)	(15,752,765)
Other income (expense):				
Change in fair value of warrant liability	(143,511)	(11,239,465)	425,570	(9,974,685)
Interest income	136	2,372	8,772	9,393
Interest expense	(382,119)	(11,392)	(785,122)	(40,014)
Other income (expense), net	(10,094)	(11,087)	8,475	25,364
Total other expense, net	(535,588)	(11,259,572)	(342,305)	(9,979,942)
Net loss	\$ (7,191,653)	\$ (16,336,790)	\$ (19,476,782)	\$ (25,732,707)
Basic and diluted net loss per share	\$ (0.17)	\$ (0.54)	\$ (0.49)	\$ (0.99)
Weighted average number of common shares outstanding, basic and diluted	41,402,717	30,168,475	39,787,527	25,992,764

See Notes to Condensed Consolidated Financial Statements.

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STEMCELLS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Net loss	\$ (7,191,653)	\$ (16,336,790)	\$ (19,476,782)	\$ (25,732,707)
Other comprehensive income (loss)				
Foreign currency translation adjustments	206,120	98,706	(23,928)	125,854
Unrealized gains (losses) on marketable securities	(425)	587	1,356	3,210
Other comprehensive income (loss)	205,695	99,293	(22,572)	129,064
Comprehensive loss	\$ (6,985,958)	\$ (16,237,497)	\$ (19,499,354)	\$ (25,603,643)

See Notes to Condensed Consolidated Financial Statements.

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STEMCELLS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Nine months ended September 30,	
	2013	2012
Cash flows from operating activities:		
Net loss	\$ (19,476,782)	\$ (25,732,707)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	730,504	759,527
Stock-based compensation	2,033,228	2,227,145
Amortization of debt discount and issuance costs	509,069	
Gain on disposal of fixed assets	(34,946)	
Change in fair value of warrant liability	(425,570)	9,974,685
Changes in operating assets and liabilities:		
Accrued interest and other receivables	(364,940)	19,432
Trade receivables	57,569	(40,584)
Prepaid and other current assets	782,745	