

LA JOLLA PHARMACEUTICAL CO
Form 10-Q
October 24, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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, 2018

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: 1-36282

LA JOLLA PHARMACEUTICAL COMPANY
(Exact name of registrant as specified in its charter)

California 33-0361285
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

4550 Towne Centre Court, San Diego, CA 92121
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (858) 207-4264

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, if any, every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "non-accelerated filer," "smaller reporting company" and "emerging growth company," in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 19, 2018, La Jolla Pharmaceutical Company had 26,233,631 shares of common stock outstanding.

LA JOLLA PHARMACEUTICAL COMPANY
FORM 10-Q
QUARTERLY REPORT

TABLE OF CONTENTS

PART I — FINANCIAL INFORMATION

ITEM 1. Condensed Consolidated Financial Statements

Condensed Consolidated Balance Sheets as of September 30, 2018 (Unaudited) and December 31, 2017 1

Unaudited Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2018 and 2017 2

Unaudited Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2018 and 2017 3

Notes to Unaudited Condensed Consolidated Financial Statements 4

ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations 9

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk 15

ITEM 4. Controls and Procedures 15

PART II — OTHER INFORMATION

ITEM 1. Legal Proceedings 17

ITEM 1A. Risk Factors 17

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds 17

ITEM 3. Defaults upon Senior Securities 17

ITEM 4. Mine Safety Disclosures 17

ITEM 5. Other Information 17

ITEM 6. Exhibits 18

SIGNATURES 19

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

LA JOLLA PHARMACEUTICAL COMPANY

Condensed Consolidated Balance Sheets

(in thousands, except share and par value amounts)

	September 30, 2018	December 31, 2017
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 204,337	\$ 90,915
Accounts receivable, net	1,537	—
Inventory	1,101	—
Prepaid expenses and other current assets	5,847	3,147
Total current assets	212,822	94,062
Property and equipment, net	23,339	24,568
Restricted cash	909	909
Total assets	\$ 237,070	\$ 119,539
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 6,570	\$ 11,484
Accrued expenses	10,995	703
Accrued payroll and related expenses	4,922	4,995
Deferred rent, current portion	1,370	1,370
Total current liabilities	23,857	18,552
Deferred rent, less current portion	13,895	12,785
Deferred royalty obligation, net	124,324	—
Total liabilities	162,076	31,337
Shareholders' equity:		
Common Stock, \$0.0001 par value; 100,000,000 shares authorized, 26,226,955 and 22,167,529 shares issued and outstanding at September 30, 2018 and December 31, 2017, respectively	3	2
Series C-1 ² Convertible Preferred Stock, \$0.0001 par value; 11,000 shares authorized, 3,906 shares issued and outstanding at September 30, 2018 and December 31, 2017; and liquidation preference of \$3,906 at September 30, 2018 and December 31, 2017	3,906	3,906
Series F Convertible Preferred Stock, \$0.0001 par value; 10,000 shares authorized, 2,737 shares issued and outstanding at September 30, 2018 and December 31, 2017; and liquidation preference of \$2,737 at September 30, 2018 and December 31, 2017	2,737	2,737
Additional paid-in capital	943,913	803,071
Accumulated deficit	(875,565)	(721,514)
Total shareholders' equity	74,994	88,202
Total liabilities and shareholders' equity	\$ 237,070	\$ 119,539

See accompanying notes to the condensed consolidated financial statements.

LA JOLLA PHARMACEUTICAL COMPANY
 Unaudited Condensed Consolidated Statements of Operations
 (in thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Revenue				
Net product sales	\$3,470	\$—	\$5,872	\$—
Total revenue	3,470	—	5,872	—
Operating expenses				
Cost of product sales	256	—	443	—
Research and development	30,439	19,093	89,735	57,666
Selling, general and administrative	21,139	7,390	66,319	18,915
Total operating expenses	51,834	26,483	156,497	76,581
Loss from operations	(48,364)	(26,483)	(150,625)	(76,581)
Interest (expense) income, net	(2,381)	195	(3,426)	324
Net loss	\$(50,745)	\$(26,288)	\$(154,051)	\$(76,257)
Net loss per share, basic and diluted	\$(1.93)	\$(1.19)	\$(6.15)	