

CHAMPIONS ONCOLOGY, INC.  
Form 10-Q  
December 13, 2013

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended October 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 0-17263

**CHAMPIONS ONCOLOGY, INC.**

(Exact name of registrant as defined in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**52-1401755**

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

**One University Plaza, Suite 307**

**Hackensack, New Jersey**

(Address of principal executive offices)

**07601**

(Zip Code)

**(201) 808-8400**

(Registrant's telephone number, including area code)

**Not Applicable**

(Former name, former address and former fiscal year, if changed since last report)

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 (§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.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a 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 Common Shares of the Registrant outstanding as of November 30, 2013 was 66,867,100.

**DOCUMENTS INCORPORATED BY REFERENCE - None**



**INDEX TO FORM 10-Q  
FOR THE QUARTERLY PERIOD ENDED OCTOBER 31, 2013**

**PART I - FINANCIAL INFORMATION**

|         |   |    |
|---------|---|----|
| Item 1. | Financial Statements.   |    |
|         | Condensed Consolidated Balance Sheets as of October 31, 2013 (unaudited) and April 30, 2013   | 2  |
|         | Unaudited Condensed Consolidated Statements of Operations and Comprehensive Loss for the Three and Six Months Ended October 31, 2013 and 2012 | 3  |
|         | Unaudited Condensed Consolidated Statements of Cash Flows for the Six Months Ended October 31, 2013 and 2012                                  | 4  |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations   | 15 |
| Item 3. | Quantitative and Qualitative Disclosures About Market Risk  | 20 |
| Item 4. | Controls and Procedures   | 20 |

**PART II - OTHER INFORMATION**

|          |   |    |
|----------|---|----|
| Item 1.  | Legal Proceedings   | 21 |
| Item 1A. | Risk Factors  | 21 |
| Item 2.  | Unregistered Sales of Equity Securities and Use of Proceeds | 21 |
| Item 3.  | Defaults Upon Senior Securities                             | 21 |
| Item 4.  | Mine Safety Disclosures                                     | 21 |
| Item 5.  | Other Information   | 21 |
| Item 6.  | Exhibits  | 22 |

## PART I FINANCIAL INFORMATION

## Item 1. Financial Statements

**CHAMPIONS ONCOLOGY, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Dollars in Thousands)

|  | October 31,<br>2013<br>(unaudited) | April 30,<br>2013 |
|--|------------------------------------|-------------------|
| <b>ASSETS</b>  |                                    |                   |
| Current assets:  |                                    |                   |
| Cash and cash equivalents  | \$ 7,572                           | \$ 9,561          |
| Accounts receivable, net   | 1,462                              | 500               |
| Prepaid expenses and other current assets  | 219                                | 315               |
| Total current assets   | 9,253                              | 10,376            |
| Restricted cash  | 193                                | 192               |
| Property and equipment, net  | 387                                | 414               |
| Goodwill   | 669                                | 669               |
| Total assets   | \$ 10,502                          | \$ 11,651         |
| <b>LIABILITIES, REDEEMABLE COMMON STOCK AND<br/>STOCKHOLDERS' DEFICIT</b>  |                                    |                   |
| Current liabilities:   |                                    |                   |
| Accounts payable   | \$ 982                             | \$ 1,204          |
| Accrued liabilities  | 329                                | 611               |
| Deferred revenue   | 1,958                              | 1,114             |
| Total current liabilities  | 3,269                              | 2,929             |
| Warrant liability  | 3,094                              | 1,046             |
| Total liabilities  | 6,363                              | 3,975             |
| Commitments and contingencies  |                                    |                   |
| Redeemable common stock; \$0.001 par value; 31,133,333 contingently<br>puttable<br>common shares outstanding as of October 31, 2013 and April 30, 2013   | 16,882                             | 16,882            |
| Stockholders' equity:  |                                    |                   |
| Common stock, \$.001 par value; 125,000,000 shares authorized, including<br>redeemable<br>common stock, 38,970,003 and 38,955,003 shares issued and<br>35,733,767 and<br>35,718,767 shares outstanding as of October 31, 2013 and April 30,<br>2013, | 39                                 | 39                |

|   |           |           |
|---|-----------|-----------|
| respectively  |           |           |
| Treasury stock, at cost, 3,236,236 common shares as of October 31, 2013 |           |           |
| and   | (1,252)   | (1,252)   |
| April 30, 2013  |           |           |
| Additional paid-in capital  | 24,617    | 23,580    |
| Accumulated deficit   | (36,023)  | (31,473)  |
| Accumulated other comprehensive loss                                    | (124)     | (100)     |
| Total stockholders' deficit   | (12,743)  | (9,206)   |
| Total liabilities, redeemable common stock and stockholders' deficit    | \$ 10,502 | \$ 11,651 |

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

**CHAMPIONS ONCOLOGY, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Dollars in Thousands Except Per Share Amounts)

|   | Three Months Ended |            | Six Months Ended |            |
|---|--------------------|------------|------------------|------------|
|   | October 31,        |            | October 31,      |            |
|   | 2013               | 2012       | 2013             | 2012       |
| Operating revenue:  |                    |            |                  |            |
| Personalized oncology solutions   | \$ 623             | \$ 459     | \$ 1,245         | \$ 1,377   |
| Translational oncology solutions  | 1,760              | 999        | 4,158            | 2,187      |
| Total operating revenue   | 2,383              | 1,458      | 5,403            | 3,564      |
| Costs and operating expenses:   |                    |            |                  |            |
| Cost of personalized oncology solutions   | 732                | 582        | 1,525            | 1,354      |
| Cost of translational oncology solutions  | 698                | 475        | 1,576            | 1,174      |
| Research and development  | 677                | 436        | 1,079            | 823        |
| Sales and marketing   | 698                | 680        | 1,340            | 1,389      |
| General and administrative  | 1,279              | 1,201      | 2,355            | 2,340      |
| Total costs and operating expenses  | 4,084              | 3,374      | 7,875            | 7,080      |
| Loss from operations  | (1,701)            | (1,916)    | (2,472)          | (3,516)    |
| Other (expense) income:   |                    |            |                  |            |
| Change in fair value of warrant liability   | (585)              | (52)       | (2,048)          | 233        |
| Other (expense)   | (29)               | (5)        | (30)             | (10)       |
| Total other (expense) income  | (614)              | (57)       | (2,078)          | 223        |
| Loss before provision for income taxes  | (2,315)            | (1,973)    | (4,550)          | (3,293)    |
| Provision for income taxes  | 3                  | 1          | 6                | 4          |
| Net loss  | \$ (2,318)         | \$ (1,974) | \$ (4,556)       | \$ (3,297) |
| Net loss per common share outstanding,<br>including redeemable<br>common stock, basic and diluted         | \$ (0.03)          | \$ (0.04)  | \$ (0.07)        | \$ (0.07)  |
| Weighted average common shares<br>outstanding, including<br>redeemable common stock, basic and<br>diluted | 66,863,147         | 47,079,000 | 66,857,630       | 47,073,000 |

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(Dollars in Thousands)

|   |           |           |           |           |
|---|-----------|-----------|-----------|-----------|
| Net loss                                | \$(2,318) | \$(1,974) | \$(4,556) | \$(3,297) |
| Foreign currency translation adjustment | (12)      | 2         | (24)      | 27        |
| Comprehensive loss                      | \$(2,330) | \$(1,972) | \$(4,580) | \$(3,270) |

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The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

**CHAMPIONS ONCOLOGY, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Dollars in Thousands)

|   | Six Months Ended |            |
|---|------------------|------------|
|   | October 31,      | 2012       |
|   | 2013             |            |
| Operating activities:   |                  |            |
| Net loss  | \$ (4,556)       | \$ (3,297) |
| Adjustments to reconcile net loss to net cash used in operating activities: |                  |            |
| Stock-based compensation expense  | 1,028            | 1,364      |
| Depreciation expense  | 102              | 103        |
| Change in fair value of warrant liability                                   | 2,048            | (233)      |
| Changes in operating assets and liabilities:                                |                  |            |
| Accounts receivable   | (962)            | (43)       |
| Prepaid expenses, deposits and other  | 96               | 110        |
| Restricted cash   | (1)              | -          |
| Accounts payable  | (220)            | (467)      |
| Accrued liabilities   | (282)            | (111)      |
| Deferred revenue  | 845              | 20         |
| Net cash used in operating activities                                       | (1,902)          | (2,554)    |
| Investing activities:   |                  |            |
| Purchase of property and equipment  | (76)             | (28)       |
| Net cash provided by investing activities                                   | (76)             | (28)       |
| Financing activities:   |                  |            |
| Proceeds from exercise of stock options                                     | 9                | -          |
| Net cash used in financing activities                                       | 9                | -          |
| Exchange rate effect on cash and cash equivalents                           | (20)             | 27         |
| Decrease in cash and cash equivalents                                       | (1,989)          | (2,555)    |
| Cash and cash equivalents, beginning of period                              | 9,561            | 4,716      |
| Cash and cash equivalents, end of period                                    | \$ 7,572         | \$ 2,161   |

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.



**CHAMPIONS ONCOLOGY, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1. Organization, Use of Estimates and Basis of Presentation**

Champions Oncology, Inc. or the Company, is engaged in the development of advanced technology solutions and products to personalize the development and use of oncology drugs. The Company's TumorGraft Technology Platform is a novel approach to personalizing cancer care, based upon the implantation of human tumors in immune-deficient mice. The Company uses this technology, in conjunction with related services, to offer solutions for two customer groups:

Our Personalized Oncology Solutions, or POS, business, which provides services to physicians and patients looking for information to help guide the development of personalized treatment plans.

Our Translational Oncology Solutions, or TOS, business, which provides services to pharmaceutical and biotechnology companies seeking personalized approaches to drug development that will lower costs and increase the speed of developing new drugs, as well as increase the adoption of existing drugs.

The Company has three operating subsidiaries: Champions Oncology (Israel), Limited, Champions Biotechnology U.K., Limited and Champions Oncology Singapore, PTE LTD. To date, there have been no material revenues earned by these subsidiaries.

The financial statements of the Company's foreign subsidiaries, all of which have a functional currency other than the U.S. dollar, have been translated into the U.S. dollar for the Company's consolidated financial statements for each period being presented. Translation gains and losses are recognized as a component of accumulated other comprehensive loss in the accompanying consolidated balance sheets. Transaction gains and losses are recognized in earnings in other (expense) income. The Company is subject to foreign exchange rate fluctuations in connection with the Company's international operations.

These unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission or the SEC. All significant intercompany transactions and accounts have been eliminated. All figures are presented in thousands of U.S. dollars, except share data, or except where expressly stated otherwise. Certain information related to the Company's organization, significant accounting policies and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States or GAAP has been condensed or omitted. The accounting policies followed in the preparation of these unaudited condensed consolidated financial statements are consistent with those followed in the Company's annual consolidated financial statements for the year ended April 30, 2013, as filed on Form 10-K. In the opinion of management, these unaudited condensed consolidated financial statements contain all material adjustments necessary to fairly state our financial position, results of operations and cash flows for the periods presented and the presentations and disclosures herein are adequate when read in conjunction with the Company's Annual Report on Form 10-K for the year ended April 30, 2013.

The preparation of financial statements in conformity with 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Basic loss per share is calculated by dividing loss available to common shareholders by the weighted average number of common shares (including redeemable common stock) outstanding for the year. Diluted loss per share is calculated based on the weighted average number of common shares (including redeemable common stock) outstanding for the year, plus the dilutive effect of common stock purchase warrants, stock options and restricted stock units using the treasury stock method. Contingently issuable shares are included in the calculation of basic earnings per share when all contingencies surrounding the issuance of the shares are met and the shares are issued or issuable. Contingently issuable shares are included in the calculation of dilutive earnings per share as of the beginning of the reporting period if, at the end of the reporting period, all contingencies surrounding the issuance of the shares are satisfied or would be satisfied if the end of the reporting period were the end of the contingency period. Due to the net losses for the three and six months ended October 31, 2013 and 2012, basic and diluted loss per share were the same, as the effect of potentially dilutive securities would have been anti-dilutive.

**CHAMPIONS ONCOLOGY, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table reflects the total potential share-based instruments outstanding at October 31, 2013 and 2012 that could have an effect on the future computation of dilution per common share:

|                                       | October 31,<br>2013 | 2012              |
|---------------------------------------|---------------------|-------------------|
| Stock options                         | 15,473,955          | 14,643,955        |
| Warrants                              | 3,276,667           | 1,416,667         |
| <b>Total common stock equivalents</b> | <b>18,750,622</b>   | <b>16,060,622</b> |

**Note 2. Property and Equipment**

Property and equipment is recorded at cost and consists of laboratory equipment, furniture and fixtures, and computer hardware and software. Depreciation is calculated on a straight-line basis over the estimated useful lives of the various assets ranging from three to seven years. Property and equipment consisted of the following (in thousands):

|                                     | October 31,<br>2013<br>(unaudited) | April 30,<br>2013 |
|-------------------------------------|------------------------------------|-------------------|
| Furniture and fixtures              | \$ 59                              | \$ 59             |
| Computer equipment and software     | 620                                | 549               |
| Laboratory equipment                | 185                                | 179               |
| Leasehold improvements              | 2                                  | 2                 |
| <b>Total property and equipment</b> | <b>866</b>                         | <b>789</b>        |
| Less: Accumulated depreciation      | (479)                              | (375)             |
| <b>Property and equipment, net</b>  | <b>\$ 387</b>                      | <b>\$ 414</b>     |

Depreciation expense was \$53,000 and \$49,000 for the three months ended October 31, 2013 and 2012, respectively, and \$102,000 and \$103,000 for the six months ended October 31, 2013 and 2012, respectively.

**Note 3. Share-Based Payments**

The Company has in place a 2010 Equity Incentive Plan and a 2008 Equity Incentive Plan. In general, these plans provide for stock-based compensation in the form of (i) Non-statutory Stock Options; (ii) Restricted Stock Awards; and (iii) Stock Appreciation Rights to the Company's employees, directors and non-employees. The plans also provide for limits on the aggregate number of shares that may be granted, the term of grants and the strike price of option awards.

Stock-based compensation in the amount of \$476,000 and \$624,000 was recognized for the three months ended October 31, 2013 and 2012, respectively, and \$1,028,000 and \$1,364,000 for the six months ended October 31, 2013 and 2012, respectively. Stock-based compensation expense was recognized as follows (in thousands):

**CHAMPIONS ONCOLOGY, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

|                            | Three Months Ended  |        | Six Months Ended    |          |
|----------------------------|---------------------|--------|---------------------|----------|
|                            | October 31,<br>2013 | 2012   | October 31,<br>2013 | 2012     |
| General and administrative | \$ 401              | \$ 550 | \$ 820              | \$ 1,119 |
| Sales and marketing        | 63                  | 61     | 126                 | 143      |
| Research and development   |                     |        |                     |          |