

MAP Pharmaceuticals, Inc.
Form 10-Q
May 08, 2009
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UNITED STATES
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 MARCH 31, 2009

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 001-33719

MAP PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

20-0507047
(I.R.S. Employer
Identification No.)

2400 Bayshore Parkway, Suite 200

Mountain View, California
(Address of principal executive offices)

94043
(Zip code)

(650) 386-3100
(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 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 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 by Rule 12b-2 of the Exchange Act). Yes No

As of April 30, 2009, the registrant had outstanding 20,605,667 shares of Common Stock.

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1 Financial Statements****MAP PHARMACEUTICALS, INC.****(a development stage enterprise)****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands)****(Unaudited)**

	March 31, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 67,705	\$ 31,927
Short-term investments		12,783
Accounts receivable	4,725	
Prepaid expenses and other current assets	576	805
Total current assets	73,006	45,515
Property and equipment, net	4,718	5,007
Other assets	28	28
Restricted investment	310	310
Total assets	\$ 78,062	\$ 50,860
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 1,196	\$ 1,631
Accrued liabilities	15,523	15,445
Current portion of debt	6,948	6,348
Current portion of deferred revenue	16,552	
Total current liabilities	40,219	23,424
Debt, less current portion	12,585	14,229
Deferred revenue, less current portion	20,690	
Other liabilities	67	60
Total liabilities	73,561	37,713
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Common stock	200	200
Additional paid-in capital	190,115	188,797
Deficit accumulated during the development stage	(185,814)	(175,894)
Accumulated other comprehensive income		44

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Total stockholders' equity	4,501	13,147
Total liabilities and stockholders' equity	\$ 78,062	\$ 50,860

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

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(a development stage enterprise)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and per share amounts)

(Unaudited)

	Three Months Ended March 31,		Cumulative Period from July 3, 2003 (Date of Inception) to March 31, 2009
	2009	2008	
Collaboration revenue	\$ 7,484	\$	\$ 7,484
Operating expenses:			
Research and development	14,075	11,815	145,773
Sales, general and administrative	2,808	3,140	36,870
Total operating expenses	16,883	14,955	182,643
Loss from operations	(9,399)	(14,955)	(175,159)
Interest income	85	853	6,334
Interest expense	(602)	(310)	(4,235)
Other income (expense), net	(4)	112	(737)
Net loss	(9,920)	(14,300)	(173,797)
Cumulative stock dividend attributed to preferred stockholders			(13,925)
Net loss attributed to common stockholders	\$ (9,920)	\$ (14,300)	\$ (187,722)
Net loss per share attributed to common stockholders basic and diluted	\$ (0.48)	\$ (0.71)	
Weighted average shares outstanding used in calculating net loss per share attributed to common stockholders basic and diluted	20,583,774	20,209,739	

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

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	Three Months Ended March 31,		Cumulative Period
	2009	2008	from July 3, 2003
			(Date of
			Inception) to
			March 31, 2009
Cash flows from operating activities:			
Net loss	\$ (9,920)	\$ (14,300)	\$ (173,797)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	375	230	3,555
Accretion of investment discounts, net	(1)	(343)	(1,595)
Amortization of debt issuance costs		23	210
Accretion of debt payment premium	110		410
Change in carrying value of warrant liability			621
Issuance of common stock in exchange for services			51
Share-based compensation	1,269	837	7,623
Loss on disposal and other non-cash items	16		400
Changes in operating assets and liabilities:			
Accounts receivable	(4,725)		(4,725)
Prepaid expenses and other current assets	229	221	(801)
Other assets			65
Accounts payable	(435)	(356)	1,167
Accrued liabilities	78	746	15,492
Deferred revenue	37,242		37,242
Other liabilities	7		67
Net cash provided by (used in) operating activities	24,245	(12,942)	(114,015)
Cash flows from investing activities:			
Purchase of intangible assets and in-process research and development			(412)
Purchase of property and equipment	(102)	(590)	(8,227)
Purchase of short-term investments		(28,986)	(169,497)
Sales and maturities of short-term investments	12,740	26,477	171,411
Purchase of restricted investment			(310)
Net cash provided by (used in) investing activities	12,638	(3,099)	(7,035)
Cash flows from financing activities:			
Proceeds from issuance of convertible notes payable			4,300
Proceeds from issuance of debt			31,006
Proceeds from sales of shares through equity plans	49	34	836
Repayment of debt	(1,154)	(762)	(11,983)
Proceeds from issuance of common stock in IPO, net of issuance costs			62,168
Proceeds from issuance of convertible preferred stock, net of issuance costs			102,428

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Net cash provided by (used in) financing activities	(1,105)	(728)	188,755
Net increase (decrease) in cash and cash equivalents	35,778	(16,769)	67,705
Cash and cash equivalents at beginning of period	31,927	49,116	
Cash and cash equivalents at end of period	\$ 67,705	\$ 32,347	\$ 67,705
Supplemental disclosures of cash flow information			
Cash paid for interest	\$ 499	\$ 294	\$ 3,521

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

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MAP PHARMACEUTICALS, INC.

(a development stage enterprise)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1. THE COMPANY

MAP Pharmaceuticals, Inc., incorporated in the state of Delaware, was originally formed as a limited liability company on July 3, 2003 and converted to a corporation on December 11, 2003. We use proprietary inhalation technologies to enhance the therapeutic benefits and commercial attractiveness of proven drugs while minimizing risk by capitalizing on their known safety, efficacy and commercialization history. We have several proprietary product candidates in clinical development that address large market opportunities, including our two most advanced product candidates: a proprietary formulation of nebulized budesonide for the potential treatment of asthma in children from 12 months to eight years of age; and a proprietary orally inhaled version of dihydroergotamine for the potential treatment of migraine. We are in the development stage and since inception have devoted substantially all of our efforts to research and development, raising capital and recruiting personnel.

We have incurred losses and negative cash flow since our inception in July 2003. We will continue to be in a loss position until sufficient revenue can be generated to offset our expenses, and we anticipate that we will continue to incur net losses for the next several years. We expect that our research and development and sales, general and administrative expenses may continue to increase and, as a result, we will need to generate significant net product sales, royalty and other revenues to achieve profitability. Prior to achieving profitable operations, we intend to continue to fund operations through public or private financings, strategic partnerships or other arrangements. Such funding, if needed, may not be available on favorable terms, if at all. In the event we are unable to obtain additional capital, we may delay or reduce the scope of our current research and development programs and other expenses.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

We have prepared the accompanying interim condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, these financial statements and accompanying notes do not include all of the information and disclosures required by generally accepted accounting principles for complete financial statements. The financial statements include all adjustments (consisting of normal recurring adjustments) that management believes are necessary for the fair statement of the balances and results for the periods presented. These interim financial statement results are not necessarily indicative of the results to be expected for the full fiscal year or any future interim period.

The balance sheet at December 31, 2008 has been derived from the audited financial statements at that date. The financial statements and related disclosures have been prepared with the presumption that users of the interim financial statements have read or have access to the audited financial statements for the preceding fiscal year. Accordingly, these financial statements should be read in conjunction with the audited financial statements and notes thereto contained in our Form 10-K for the year ended December 31, 2008, as amended.

Revenue Recognition

We recognize revenue in accordance with SEC Staff Accounting Bulletin, or SAB, No. 104, *Revenue Recognition*. SAB No. 104 requires that certain criteria must be met before revenue can be recognized: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; the fee is fixed or determinable; and collectability is reasonably assured. Determination of whether persuasive evidence of an arrangement exists and whether delivery has occurred or services have been rendered are based on management's judgments regarding the fixed nature of the fee charged for research performed and milestones met, and the collectability of those fees. Should changes in conditions cause management to determine these criteria are not met for certain future transactions, revenue recognized for any reporting period could be adversely affected.

Collaboration revenue, which is earned under agreements with third parties for research and development activities, may include nonrefundable license fees, cost reimbursements and contingent milestones and royalties. Our revenue arrangements with multiple elements are evaluated under Emerging Issues Task Force, or EITF, Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables*, and are divided into separate units of

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accounting if certain criteria are met, including whether the delivered element has stand-alone value and whether there is objective and reliable evidence of the fair value of the undelivered items. The consideration we receive is allocated among the separate units based on their respective fair values, and the applicable revenue recognition criteria are applied to each of the separate units.

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Upfront payments received upon execution of collaborative agreements are recorded as deferred revenue and recognized as collaboration revenue over the research and development period pursuant to the agreement. Such period generally represents the research and development period set forth in the agreement between our third party collaborator and us. The research and development period is estimated at the inception of the arrangement and is periodically reevaluated. Reevaluation of the research and development period may shorten or lengthen the period during which the deferred revenue is recognized. We evaluate the appropriate period based on research progress attained and reevaluate the period when significant changes occur.

Cost reimbursements are based upon negotiated rates for our full time employee equivalents, or FTE, and actual out-of-pocket costs. They are recognized as collaboration revenue as the related research and development services are performed. The cost reimbursements are generally based on qualified expenses as defined in the collaborative agreement. FTE rates are intended to approximate our anticipated cost.

We recognize milestone payments as revenue upon achievement of the milestone provided the milestone payment is nonrefundable, substantive effort and risk is involved in achieving the milestone and the amount of the milestone is reasonable in relation to the effort expended or risk associated with the achievement of the milestone. If these conditions are not met, we defer the milestone payment and recognize it as revenue over the estimated period of performance under the contract as we complete our performance obligations.

Pre-clinical Study and Clinical Trial Accruals

We estimate our pre-clinical study and clinical trial expenses based on the services received pursuant to contracts with several research institutions and contract research organizations that conduct and manage pre-clinical studies and clinical trials on our behalf. The financial terms of these agreements vary from contract to contract and may result in uneven expenses and payment flows. Pre-clinical study and clinical trial expenses include the following:

fees paid to contract research organizations in connection with pre-clinical studies;