

AMBIT BIOSCIENCES CORP

Form 10-Q

November 07, 2013

[Table of Contents](#)

**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 September 30, 2013**

**OR**

☐ **TRANSITION REPORT UNDER SECTION 13 OF 15(d) OR THE EXCHANGE ACT OF 1934**  
**From the transition period from \_\_\_\_\_ to \_\_\_\_\_.**

**Commission File Number 001-35919**

**AMBIT BIOSCIENCES CORPORATION**

**(Exact name of registrant as specified in its charter)**

<b>Delaware</b> <b>(State or other jurisdiction</b>	<b>33-0909648</b> <b>(IRS Employer</b>
<b>of incorporation)</b>	<b>Identification No.)</b>
<b>11080 Roselle St., San Diego, CA</b> <b>(Address of principal executive offices)</b>	<b>92121</b> <b>(Zip Code)</b>
<b>Registrant's telephone number, including area code: (858) 334-2100</b>	

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:

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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 ☒

As of October 31, 2013, there were 17,877,241 shares of common stock of the issuer outstanding.

**Table of Contents**

**AMBIT BIOSCIENCES CORPORATION**

**FORM 10-Q**

**TABLE OF CONTENTS**

	<b>Page</b>
<b><u>PART I. FINANCIAL INFORMATION</u></b>	
Item 1. <u>Financial Statements (unaudited)</u>	3
<u>Condensed Consolidated Balance Sheets as of September 30, 2013 and December 31, 2012</u>	3
<u>Condensed Consolidated Statements of Comprehensive Loss for the three and nine months ended September 30, 2013 and 2012</u>	4
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2013 and 2012</u>	5
<u>Notes to the Condensed Consolidated Financial Statements</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	26
Item 4. <u>Controls and Procedures</u>	26
<b><u>PART II. OTHER INFORMATION</u></b>	
Item 1. <u>Legal Proceedings</u>	27
Item 1A. <u>Risk Factors</u>	27
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	54
Item 3. <u>Defaults Upon Senior Securities</u>	54
Item 4. <u>Mine Safety Disclosures</u>	54
Item 5. <u>Other Information</u>	54
Item 6. <u>Exhibits</u>	55
<b><u>SIGNATURES</u></b>	<b>57</b>

**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****Ambit Biosciences Corporation****Condensed Consolidated Balance Sheets****(in thousands, except share and per share data)**

	<b>September 30, 2013 (unaudited)</b>	<b>December 31, 2012</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 78,856	\$ 17,481
Prepaid expenses and other current assets	1,031	1,231
Total current assets	79,887	18,712
Property and equipment, net	816	560
Deposits and other assets		717
Restricted cash	63	
Total assets	\$ 80,766	\$ 19,989
<b>Liabilities and stockholders' equity (deficit)</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 4,695	\$ 7,290
Accrued payroll and related expenses	1,702	1,313
Current portion of notes payable, net of discount		4,320
Current portion of deferred revenue		6,362
Warrant liabilities	15,623	10,540
Total current liabilities	22,020	29,825
Deferred revenue, net of current portion		14,309
Redeemable non-controlling interest		3,323
Commitments and contingencies		
Convertible preferred stock, \$0.001 par value:		
Authorized shares 10,000,000 and 170,990,763 at September 30, 2013 and December 31, 2012, respectively		
Redeemable convertible preferred stock:		
Issued and outstanding shares - 0 and 121,826,424 at September 30, 2013		157,076

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and December 31, 2012, respectively; liquidation preference - \$0 and \$202,475 at September 30, 2013 and December 31, 2012, respectively

Convertible preferred stock;

Issued and outstanding shares - 0 and 1,590,014 at September 30, 2013 and December 31, 2012, respectively; liquidation preference - \$0 and \$13,702 at September 30, 2013 and December 31, 2012, respectively

13,702

Stockholders' equity (deficit):

Common stock, \$0.001 par value;

Authorized shares - 200,000,000 and 225,000,000 at September 30, 2013 and December 31, 2012, respectively; issued and outstanding shares -17,877,241 and 3,990 at September 30, 2013 and December 31, 2012, respectively

18

Additional paid-in capital

304,932

38,678

Accumulated other comprehensive (loss) income

(83)

47

Accumulated deficit

(246,121)

(236,971)

Total stockholders' equity (deficit)

58,746

(198,246)

Total liabilities and stockholders' equity (deficit)

\$ 80,766

\$ 19,989

*See accompanying notes.*

Table of Contents

## Ambit Biosciences Corporation

## Condensed Consolidated Statements of Comprehensive Loss

(in thousands, except share and per share data)

	Three Months Ended September 30, 2013		2012		Nine Months Ended September 30, 2013		2012	

Net loss per share attributable to common stockholders, basic and diluted	\$	(0.34)	\$ (5,621.90)	\$	(1.27)	\$ (17,575.91)
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Weighted average shares outstanding, basic and diluted	17,876,984	1,370	8,710,924	1,370
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*See accompanying notes.*



**Table of Contents****Ambit Biosciences Corporation****Condensed Consolidated Statements of Cash Flows****(in thousands)**

	<b>Nine Months Ended September 30,</b>	
	<b>2013</b>	<b>2012</b>
	<b>(unaudited)</b>	
<b>Operating activities</b>		
Consolidated net loss	\$ (9,211)	\$ (21,968)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	301	774
Change in fair value of redeemable convertible preferred stock warrant and derivative liabilities	10,045	2,417
Noncash interest expense	117	649
Stock-based compensation	1,361	487
Gain on disposal of property and equipment	(12)	(74)
Deferred revenue	(20,671)	(4,775)
Noncash gain on sale of kinase profiling services business		(1,600)
Changes in operating assets and liabilities:		
Accounts receivable		3,510
Prepaid expenses and other current assets	200	110
Accounts payable and accrued expenses	(2,233)	(41)
Accrued payroll and related expenses	389	(952)
Net cash used in operating activities	(19,714)	(21,463)
<b>Investing activities</b>		
Proceeds from sale of property and equipment	23	77
Purchase of property and equipment	(568)	(12)
Restricted cash	(63)	
Net cash (used in) provided by investing activities	(608)	65
<b>Financing activities</b>		
Proceeds from issuance of common stock, net of offering costs	83,515	
Proceeds from issuance of put shares	2,725	
Proceeds from notes payable		13,000
Payments on notes payable	(4,412)	(3,590)
Net cash provided by financing activities	81,828	9,410
Effect of exchange rate changes on cash	(131)	127
Net change in cash and cash equivalents	61,375	(11,861)

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Cash and cash equivalents at beginning of the period	17,481	16,417
Cash and cash equivalents at end of the period	\$ 78,856	\$ 4,556

**Supplemental disclosures of noncash investing and financing information**

Contributed capital related to cancelled Series D-2 financing warrants	\$	\$ 2,779
Conversion of redeemable non-controlling interest to common stock	\$ 4,241	\$
Conversion of preferred warrant liability to equity	\$ 4,689	\$
Conversion of preferred stock to common stock	\$ 174,409	\$

**Supplemental disclosures of cash flow information**

Interest paid	\$ 252	\$ 704
Taxes paid	\$ 1	\$ 1

*See accompanying notes.*

**Table of Contents**

**Ambit Biosciences Corporation**

**Notes to Condensed Consolidated Financial Statements**

**(Unaudited)**

**1. Organization and Summary of Significant Accounting Policies**

**Organization and Business**

Ambit Biosciences Corporation ( Ambit or the Company ), formerly Aventa Biosciences Corporation, was incorporated in Delaware on May 17, 2000 and is located in San Diego, California. Ambit is a biopharmaceutical company focused on the discovery, development and commercialization of drugs to treat unmet medical needs in oncology, autoimmune and inflammatory diseases by inhibiting kinases that are important drivers for those diseases.

**Initial Public Offering and Concurrent Private Placement**

The Company closed its initial public offering ( IPO ) in May 2013, selling 8,125,000 shares of common stock at a price of \$8.00 per share, resulting in gross proceeds of approximately \$65.0 million and net proceeds of approximately \$58.1 million, after underwriting and other expenses of approximately \$6.9 million (consisting of \$4.6 million in underwriting discounts and commissions and \$2.3 million in other offering expenses). In connection with the completion of the IPO, all outstanding convertible preferred stock converted into 6,449,073 shares of common stock.

Concurrent with the IPO, the Company sold 3,134,495 shares of common stock to certain of the Company s existing stockholders in a concurrent private placement at the IPO price of \$8.00 per share and received net proceeds of approximately \$25.1 million.

Effective upon the closing of the IPO, 1,845,329 shares of common stock were reserved for future issuance under the Company s 2013 Equity Incentive Plan, including 1,214,212 shares of common stock reserved for issuance upon the exercise of outstanding options issued under the Company s 2011 Amended and Restated Equity Incentive Plan and 6,117 shares of common stock previously reserved for issuance under the Company s 2011 Amended and Restated Equity Incentive Plan, in each case that were added to the shares reserved under the 2013 Equity Incentive Plan upon its effectiveness.

Effective upon the closing of the Company s IPO, 125,000 shares of common stock were reserved for future issuance under the Company s 2013 Employee Stock Purchase Plan.

**Principles of Consolidation**

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiary Ambit Europe Limited ( Ambit Europe ) and its controlled subsidiary, Ambit Biosciences (Canada) Corporation ( Ambit Canada ), which became a wholly-owned subsidiary upon the Company s IPO. All intercompany transactions and balances are eliminated in consolidation. Ambit Europe was incorporated in England in June 2008. As of September 30, 2013, there have been no significant transactions related to Ambit Europe. Ambit Canada was formed in Canada in December 2004.

Consolidation of Ambit Canada s results included the following:

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>(in thousands)</b>			
Research and development expense	\$ (4)	\$ (116)	\$ (130)	\$ (544)
Interest income (expense), net	36	(34)	78	(44)
Other income		5		5
Net income (loss) of Ambit Canada	\$ 32	\$ (145)	\$ (52)	\$ (583)

## **Table of Contents**

Income (loss) of Ambit Canada was allocated to the redeemable non-controlling interest based on the relative ownership of Ambit Canada. As of December 31, 2012, the redeemable non-controlling interest held 60% of the outstanding shares of Ambit Canada.

## **Reverse Stock Splits**

On October 26, 2012 and April 24, 2013, the Company filed amended and restated certificates of incorporation under which each share of the Company's common stock was split on a 1-for-100 basis and a 1-for-24 basis, respectively. The accompanying condensed consolidated financial statements and notes to the consolidated financial statements give retroactive effect to the reverse splits for all periods presented.

## **Unaudited Interim Financial Information**

The accompanying interim condensed consolidated financial statements are unaudited. These unaudited interim financial statements have been prepared in accordance with United States generally accepted accounting principles ( GAAP ) and following the requirements of the United States Securities and Exchange Commission ( SEC ) for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by GAAP can be condensed