

ENANTA PHARMACEUTICALS INC

Form 10-Q

August 12, 2014

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2014

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-35839

**ENANTA PHARMACEUTICALS, INC.**

(Exact name of registrant as specified in its charter)

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**DELAWARE**  
(State or other jurisdiction of  
incorporation or organization)

**2834**  
(Primary Standard Industrial  
Classification Code Number)

**04-3205099**  
(I.R.S. Employer  
Identification Number)

**500 Arsenal Street**  
**Watertown, Massachusetts 02472**

**(617) 607-0800**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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 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  (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

The number of shares of the registrant's Common Stock, \$0.01 par value, outstanding as of August 8, 2014, was 18,582,628 shares.

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**ENANTA PHARMACEUTICALS, INC.**

**FORM 10-Q Quarterly Report**

**For the Quarterly Period Ended June 30, 2014**

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**Table of Contents****PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****ENANTA PHARMACEUTICALS, INC.****CONSOLIDATED BALANCE SHEETS****(unaudited)****(in thousands, except share amounts)**

	<b>June 30, 2014</b>	<b>September 30, 2013</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 26,374	\$ 8,859
Short-term marketable securities	69,513	92,621
Accounts receivable	399	808
Unbilled receivables	2,259	784
Deferred tax assets	11,183	
Prepaid expenses and other current assets	1,950	1,641
<b>Total current assets</b>	<b>111,678</b>	<b>104,713</b>
Property and equipment, net	1,551	1,121
Long-term marketable securities	41,700	10,703
Deferred tax assets	4,149	
Restricted cash	436	436
<b>Total assets</b>	<b>\$ 159,514</b>	<b>\$ 116,973</b>
<b>Liabilities and Stockholders Equity</b>		
Current liabilities:		
Accounts payable	\$ 1,284	\$ 1,481
Accrued expenses	2,984	3,035
Deferred revenue		10
<b>Total current liabilities</b>	<b>4,268</b>	<b>4,526</b>
Warrant liability	1,675	1,620
Series 1 nonconvertible preferred stock	213	
Other long-term liabilities	405	359
<b>Total liabilities</b>	<b>6,561</b>	<b>6,505</b>
<b>Commitments and contingencies (Note 11)</b>		
Stockholders equity:		
Common stock; \$0.01 par value; 100,000,000 shares authorized at June 30, 2014 and September 30, 2013; 18,789,536 and 18,138,597 shares issued and 18,580,720 and 17,929,781 shares outstanding at June 30, 2014 and September 30, 2013, respectively	188	181
Additional paid-in capital	220,741	217,741
Treasury stock, at par value; 208,816 shares at June 30, 2014 and September 30, 2013	(2)	(2)

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Accumulated other comprehensive loss	(4)	(2)
Accumulated deficit	(67,970)	(107,450)
Total stockholders' equity	152,953	110,468
Total liabilities and stockholders' equity	\$ 159,514	\$ 116,973

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

**Table of Contents****ENANTA PHARMACEUTICALS, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****(unaudited)****(in thousands, except share and per share amounts)**

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2014	2013	2014	2013
Revenue	\$ 42,051	\$ 1,649	\$ 45,104	\$ 30,704
Operating expenses:				
Research and development	4,553	4,039	13,538	12,541
General and administrative	2,603	1,788	7,255	4,433
Total operating expenses	7,156	5,827	20,793	16,974
Income (loss) from operations	34,895	(4,178)	24,311	13,730
Other income:				
Interest income	106	64	329	146
Interest expense	(5)	(7)	(14)	(23)
Change in fair value of warrant liability and Series 1 nonconvertible preferred stock	(65)	(17)	(268)	217
Total other income, net	36	40	47	340
Income (loss) before income taxes	34,931	(4,138)	24,358	14,070
Income tax benefit	15,122		15,122	
Net income (loss)	50,053	(4,138)	39,480	14,070
Accretion of redeemable convertible preferred stock to redemption value				(2,526)
Net income attributable to participating securities				(13,670)
Net income (loss) attributable to common stockholders	\$ 50,053	\$ (4,138)	\$ 39,480	\$ (2,126)
Net income (loss) per share attributable to common stockholders:				
Basic	\$ 2.70	\$ (0.23)	\$ 2.16	\$ (0.30)
Diluted	\$ 2.61	\$ (0.23)	\$ 2.06	\$ (0.30)
Weighted average common shares outstanding:				
Basic	18,528,833	17,819,813	18,275,831	7,052,989
Diluted	19,203,270	17,819,813	19,168,368	7,052,989

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

**Table of Contents****ENANTA PHARMACEUTICALS, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****(unaudited)****(in thousands)**

	<b>Three Months Ended June 30,</b>		<b>Nine Months Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Net income (loss)	\$ 50,053	\$ (4,138)	\$ 39,480	\$ 14,070
Other comprehensive loss:				
Net unrealized losses on marketable securities, net of tax of \$0	(65)	(87)	(2)	(104)
Total other comprehensive loss	(65)	(87)	(2)	(104)
Comprehensive income (loss)	\$ 49,988	\$ (4,225)	\$ 39,478	\$ 13,966

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

**Table of Contents****ENANTA PHARMACEUTICALS, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(unaudited)****(in thousands)**

	<b>Nine Months Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities</b>		
Net income	\$ 39,480	\$ 14,070
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	242	148
Non-cash interest expense	14	23
Change in fair value of warrant liability and Series 1 nonconvertible preferred stock	268	(217)
Stock-based compensation expense	1,887	777
Gain on disposal of property and equipment		(100)
Premium on marketable securities	(1,824)	(1,170)
Amortization of premium on marketable securities	1,636	697
Benefit from deferred income taxes	(15,228)	
Income tax benefit from the exercise of stock options	(105)	
Change in operating assets and liabilities:		
Accounts receivable	409	