

VICURON PHARMACEUTICALS INC
Form 10-Q
November 08, 2004

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, 2004

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: 000-31145

VICURON PHARMACEUTICALS INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

04-3278032
(I.R.S. Employer
Identification No.)

455 South Gulph Road, King of Prussia, PA 19406

(Address of Principal Executive Offices) (Zip Code)

(610) 205-2300

(Registrant's telephone number, including area code)

n/a

(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 report(s) and (2) has been subject to such filing requirements for the past 90 days. Yes No .

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

On October 17, 2004, there were 60,178,158 common shares outstanding of the registrant's only class of common stock.

The Exhibit Index begins on page 31.

VICURON PHARMACEUTICALS INC.

Quarterly Report on Form 10-Q

For the Three Months Ended September 30, 2004

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PART I FINANCIAL INFORMATION**ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****VICURON PHARMACEUTICALS INC.****CONSOLIDATED BALANCE SHEETS**

(unaudited)

(in thousands)

	September 30,	December 31,
	2004	2003
	<u> </u>	<u> </u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 79,576	\$ 113,361
Marketable securities	16,730	52,796
Accounts receivable, net	5,013	5,533
Prepaid expenses and other current assets	5,689	6,329
	<u> </u>	<u> </u>
Total current assets	107,008	178,019
Property, plant and equipment	53,671	43,757
Intangible assets, net	23,356	23,373
Long-term receivables	11,411	9,787
Long-term marketable securities restricted	2,983	3,232
Other assets	328	330
	<u> </u>	<u> </u>
Total assets	\$ 198,757	\$ 258,498
	<u> </u>	<u> </u>
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 8,866	\$ 13,986
Accrued liabilities	13,020	15,085
Current portion of long-term debt	609	2,360
Current portion of deferred revenue	839	1,068
	<u> </u>	<u> </u>
Total current liabilities	23,334	32,499
	<u> </u>	<u> </u>
Long-term debt, less current portion	7,386	7,493
Deferred revenue, less current portion	1,554	1,750
Other long-term liabilities	7,786	2,973
	<u> </u>	<u> </u>
Total liabilities	40,060	44,715
	<u> </u>	<u> </u>
Stockholders' equity:		
Common stock	55	54
Additional paid-in capital	528,694	518,275

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Deferred stock compensation	(235)	(454)
Accumulated other comprehensive income	19,962	22,632
Accumulated deficit	(389,779)	(326,724)
	<u> </u>	<u> </u>
Total stockholders' equity	158,697	213,783
	<u> </u>	<u> </u>
Total liabilities and stockholders' equity	\$ 198,757	\$ 258,498
	<u> </u>	<u> </u>

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

VICURON PHARMACEUTICALS INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

(in thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2004	2003	2004	2003
Revenues:				
Collaborative research and development, contract services and government grants	\$ 1,692	\$ 2,173	\$ 5,262	\$ 6,054
License fees and milestones	136	626	411	784
Total revenues	1,828	2,799	5,673	6,838
Operating expenses:				
Research and development	12,795	18,113	54,183	55,996
General and administrative	4,891	4,164	16,154	9,886
Acquired in-process research and development				94,532
Total operating expenses	17,686	22,277	70,337	160,414
Loss from operations	(15,858)	(19,478)	(64,664)	(153,576)
Other income (expense):				
Investment income	448	607	1,678	1,777
Interest expense	(16)	(43)	(69)	(155)
Net loss	\$ (15,426)	\$ (18,914)	\$ (63,055)	\$ (151,954)
Net loss per share:				
Basic and diluted	\$ (0.28)	\$ (0.36)	\$ (1.16)	\$ (3.38)
Weighted average shares	54,882	52,799	54,511	44,903

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

VICURON PHARMACEUTICALS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(in thousands)

	Nine Months Ended	
	September 30,	
	2004	2003
Cash flows from operating activities:		
Net loss	\$ (63,055)	\$ (151,954)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	4,844	3,440
Non-cash stock compensation expense	275	1,437
Amortization of bond discounts	683	
Acquired in-process research and development		94,532
Changes in operating assets and liabilities, net of effect of merger:		
Accounts receivable	341	(1,622)
Prepaid expenses and other current assets	1,669	2,329
Long-term receivables	(1,540)	(1,130)
Other assets	2	225
Accounts payable	(4,938)	(3,581)
Accrued liabilities	(1,964)	2,573
Deferred revenue	(405)	(904)
Other long-term liabilities	(655)	72
	<u>(64,743)</u>	<u>(54,583)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Purchases of marketable securities	(15,016)	(49,620)
Sales/maturities of marketable securities	50,333	127,491
Additions to property and equipment	(10,947)	(11,229)
Sale of property and equipment	88	
Net cash and cash equivalents acquired in Biosearch merger		772
	<u>24,458</u>	<u>67,414</u>
Net cash provided by investing activities		
Cash flows from financing activities:		
Proceeds from issuance of common stock, net	9,937	78,886
Proceeds from long-term debt		2,693
Repayments of long-term debt	(1,745)	(1,574)
	<u>8,192</u>	<u>80,005</u>
Net cash provided by financing activities		
Effect of exchange rate changes on cash and cash equivalents	(1,692)	2,956
	<u>(33,785)</u>	<u>95,792</u>
Net change in cash and cash equivalents		
Cash and cash equivalents at beginning of period	113,361	28,271

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Cash and cash equivalents at end of period	<u>\$ 79,576</u>	<u>\$ 124,063</u>
Supplemental cash flow information:		
Cash paid during the period for interest	<u>\$ 64</u>	<u>\$ 159</u>
Supplemental disclosure of non-cash investing activities:		