

Recro Pharma, Inc.
Form 10-Q
August 07, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarterly Period Ended: June 30, 2018

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Commission File Number: 001-36329

Recro Pharma, Inc.

(Exact name of registrant as specified in its charter)

Pennsylvania (State or other jurisdiction of incorporation or organization)	26-1523233 (I.R.S. Employer Identification No.)
490 Lapp Road, Malvern, Pennsylvania 19355 (Address of principal executive offices) (Zip Code)	

(484) 395-2470

(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

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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, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth 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
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 August 5, 2018, there were 20,718,063 shares of common stock, par value \$0.01 per share, outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

RECRO PHARMA, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(Unaudited)

(amounts in thousands, except share and per share data)	June 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$48,911	\$ 60,984
Short-term investments	—	3,498
Accounts receivable	11,671	9,686
Contract asset	6,866	—
Inventory	8,113	9,839
Prepaid expenses and other current assets	3,468	3,276
Total current assets	79,029	87,283
Property, plant and equipment, net	38,740	39,074
Deferred income taxes	22,696	18,573
Intangible assets, net	33,558	34,850
Goodwill	6,446	6,446
Total assets	\$180,469	\$ 186,226
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$6,357	\$ 7,954
Accrued expenses and other current liabilities	9,500	9,897
Current portion of contingent consideration	33,957	32,053
Total current liabilities	49,814	49,904
Long-term debt, net	54,316	53,598
Warrants and other long-term liabilities	481	3,516
Long-term portion of contingent consideration	51,372	50,360
Total liabilities	155,983	157,378
Commitments and contingencies (Note 13)		
Shareholders' equity:		
Preferred stock, \$0.01 par value. Authorized, 10,000,000 shares; none issued and outstanding	—	—
Common stock, \$0.01 par value. Authorized, 50,000,000 shares; issued and outstanding, 20,716,269 shares at June 30, 2018 and 19,127,435 shares at December 31, 2017	207	191
Additional paid-in capital	157,981	140,006

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Accumulated deficit	(133,702)	(111,348)
Accumulated other comprehensive loss	—	(1)
Total shareholders' equity	24,486	28,848
Total liabilities and shareholders' equity	\$ 180,469	\$ 186,226

See accompanying notes to consolidated financial statements.

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RECRO PHARMA, INC. AND SUBSIDIARIES

Consolidated Statements of Operations and Comprehensive Loss

(Unaudited)

(amounts in thousands, except share and per share data)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Revenue	\$21,739	\$16,934	\$41,281	\$35,676
Operating expenses:				
Cost of sales (excluding amortization of intangible assets)	12,071	10,448	22,561	20,946
Research and development	10,157	7,073	18,599	14,836
General and administrative	12,955	6,322	22,473	10,354
Amortization of intangible assets	646	646	1,292	1,292
Change in warrant valuation	(1,139)	(1,084)	(365)	(793)
Change in contingent consideration valuation	396	2,959	2,916	5,773
Total operating expenses	35,086	26,364	67,476	52,408
Operating loss	(13,347)	(9,430)	(26,195)	(16,732)
Other income (expense):				
Interest income	114	117	255	222
Interest expense	(2,189)	(1,207)	(4,292)	(2,390)
Net loss before income taxes	(15,422)	(10,520)	(30,232)	(18,900)
Income tax benefit	2,707	1,665	5,060	1,958
Net loss	\$(12,715)	\$(8,855)	\$(25,172)	\$(16,942)
Per share information:				
Net loss per share of common stock, basic	\$(0.62)	\$(0.46)	\$(1.27)	\$(0.89)
Net loss per share of common stock, diluted	\$(0.62)	\$(0.48)	\$(1.27)	\$(0.89)
Weighted average common shares outstanding, basic	20,410,615	19,052,430	19,818,227	19,050,931
Weighted average common shares outstanding, diluted	20,410,615	19,220,700		