

INTERCEPT PHARMACEUTICALS INC

Form 10-Q

November 26, 2012

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, 2012

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: 001-35668

INTERCEPT PHARMACEUTICALS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	22-3868459
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)
18 Desbrosses Street	10013
New York, NY	
(Address of Principal Executive Offices)	(Zip Code)

(646) 747-1000

(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 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

As of November 12, 2012, there were 16,512,217 shares of common stock, \$0.001 par value per share, outstanding.

Intercept Pharmaceuticals, Inc.

(A Development Stage Company)

INDEX

**PART I
FINANCIAL INFORMATION**

Item 1. Financial Statements	4
Condensed Consolidated Balance Sheet at December 31, 2011 and September 30, 2012 (unaudited)	4
Condensed Consolidated Statements of Operations and Comprehensive Loss for the three month periods ended September 30, 2011 and 2012, the nine month periods ended September 30, 2011 and 2012 and the period from September 4, 2002 (inception) through September 30, 2012 (unaudited)	5
Condensed Consolidated Statements of Cash Flows for the nine month periods ended September 30, 2011 and 2012 and for the period from September 4, 2002 (inception) to September 30, 2012 (unaudited)	6
Notes to Condensed Consolidated Financial Statements (unaudited)	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	15
Item 3. Quantitative and Qualitative Disclosure About Market Risk	23
Item 4. Controls and Procedures	23

**PART II
OTHER INFORMATION**

Item 1. Legal Proceedings	24
Item 1A. Risk Factors	24
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	47

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Item 3. Defaults Upon Senior Securities	48
Item 4. Mine Safety Disclosures	48
Item 5. Other Information	48
Item 6. Exhibits	48
Signatures	49
Exhibit Index	50

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding our strategy, future operations, future financial position, future revenue, projected costs, prospects, plans, objectives of management and expected market growth are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements

The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “target,” “potential,” “w,” “should,” “continue,” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These forward-looking statements include, among other things, statements about:

- our ability to obtain additional financing;
- the accuracy of our estimates regarding expenses, future revenues and capital requirements;
- the success and timing of our preclinical studies and clinical trials;
- our ability to obtain and maintain regulatory approval of obeticholic acid, or OCA, and any other product candidates we may develop, and the labeling under any approval we may obtain;
- regulatory developments in the United States and other countries;
- the performance of third-party manufacturers;
- our plans to develop and commercialize our product candidates;
- our ability to obtain and maintain intellectual property protection for our product candidates;

- the successful development of our sales and marketing capabilities;
- the potential markets for our product candidates and our ability to serve those markets;
- the rate and degree of market acceptance of any future products;
- the success of competing drugs that are or become available; and
- the loss of key scientific or management personnel.

These forward-looking statements are only predictions and we may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, so you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our business, financial condition and operating results. We have included important factors in the cautionary statements included in this Quarterly Report on Form 10-Q, particularly in Part II, Item 1.A. Risk Factors, that could cause actual future results or events to differ materially from the forward-looking statements that we make. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

You should read this Quarterly Report on Form 10-Q and the documents that we have filed as exhibits to the Quarterly Report on Form 10-Q with the understanding that our actual future results may be materially different from what we expect. We do not assume any obligation to update any forward-looking statements whether as a result of new information, future events or otherwise, except as required by applicable law.

PART I**Item 1. FINANCIAL STATEMENTS**

INTERCEPT PHARMACEUTICALS, INC.
(A Development Stage Company)
Condensed Consolidated Balance Sheets

	December 31, 2011 (Audited)	September 30, 2012 (Unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$17,707,476	\$35,971,386
Certificates of deposit	200,775	77,572
Prepaid expenses and other current assets	995,843	2,105,979
Total current assets	18,904,094	38,154,937
Fixed assets, net	311,366	157,009
Security deposits	254,869	257,673
Total assets	\$19,470,329	\$38,569,619
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable, accrued expenses and other liabilities	\$1,504,198	\$4,090,473
Short-term portion of warrant liability	—	334,438
Short-term portion of deferred revenue	2,446,107	1,621,622
Short-term portion of capital leases	81,762	—
Total current liabilities	4,032,067	6,046,533
Long-term liabilities:		
Long-term portion of deferred revenue	12,162,163	10,945,948
Long-term portion of warrant liability	5,835,877	5,939,654
Total liabilities	22,030,107	22,932,135
Stockholders' equity (deficit):		
Series A preferred stock. Authorized, issued, and outstanding 13,888,889 shares; par value \$0.001 per share; liquidation preference of \$1.80 per share plus accumulated dividends (\$5,412,329 at December 31, 2011 and \$6,537,219 at September 30, 2012)	13,889	13,889
Series B preferred stock. Authorized, issued, and outstanding 13,888,889 shares; par value \$0.001 per share; liquidation preference of \$1.80 per share plus accumulated dividends (\$2,901,370 at December 31, 2011 and \$4,026,260 at September 30, 2012)	13,889	13,889
Series C preferred stock. 0 shares authorized and outstanding as of December 31, 2011 and 25,000,000 shares authorized and 15,000,000 shares outstanding as of September 30, 2012, respectively; par value \$0.001 per share; liquidation preference \$2.00 per share plus accumulated dividends (\$250,000 at September 30, 2012)	—	15,000
	3,330	3,330

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Common stock. 65,000,000 shares and 150,000,000 shares authorized as of December 31, 2011 and September 30, 2012, respectively; 3,329,666 issued and outstanding; par value \$0.001

Additional paid-in capital	72,133,893	103,084,323
Accumulated other comprehensive loss	(184,500)	—
Accumulated deficit during development stage	(74,540,279)	(87,492,947)
Total stockholders' equity (deficit)	(2,559,778)	15,637,484
Total liabilities and stockholders' equity (deficit)	\$19,470,329	\$38,569,619

See accompanying notes to the condensed consolidated financial statements.

INTERCEPT PHARMACEUTICALS, INC.
(A Development Stage Company)

Condensed Consolidated Statements of Operations and Comprehensive Loss

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,		Period from September 4, 2002 (Inception) Through September 30, 2012
	2011	2012	2011	2012	2012
Licensing revenue	\$640,972	\$523,191	\$1,046,377	\$2,040,700	\$3,845,830
Costs and expenses:					
Research and development	2,512,248	3,318,310	7,263,061	11,395,924	66,648,051
General and administrative	1,154,090	991,062	3,174,086	2,994,121	27,415,074
Total costs and expenses	3,666,338	4,309,372	10,437,147	14,390,045	94,063,125
Other income (expense):					
Revaluation of warrants	174,338	(1,417,690)	268,543	(438,215)	1,111,807
Foreign currency loss on liquidation	—	—	—	(191,733)	(191,733)
Interest and dividend income	12,987	13,473	42,248	30,857	1,588,544
Interest expense, net	(2,889)	3,410	(11,867)	(4,232)	(273,229)
QTDP grant	—	—	—	—	488,959
	184,437	(1,400,807)	298,925	(603,323)	2,724,348
Net loss	(2,840,930)	(5,186,988)	(9,091,846)	(12,952,668)	(87,492,947)
Dividend on preferred stock, not declared	(750,000)	(1,000,000)	(2,250,000)	(2,500,000)	(10,813,479)
Net loss attributable to common stockholders	\$(3,590,930)	\$(6,186,988)	\$(11,341,846)	\$(15,452,668)	\$(98,306,426)
Net loss per share, basic and diluted	\$(1.08)	\$(1.86)	\$(3.41)	\$(4.64)	
Weighted average shares outstanding, basic and diluted	3,329,666	3,329,266	3,329,666	3,329,666	
Other comprehensive loss:					
Foreign currency translation adjustments	(63,748)	—	(28,122)	184,500	—
Total comprehensive loss	\$(2,904,678)	\$(5,186,988)	\$(9,119,968)	\$(12,768,168)	\$(87,492,947)

See accompanying notes to the condensed consolidated financial statements.

INTERCEPT PHARMACEUTICALS, INC.
(A Development Stage Company)

Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,		Period from September 4, 2002 (Inception) Through September 30, 2012
	2011	2012	
Cash flows from operating activities:			
Net loss	\$ (9,091,846)	\$ (12,952,668)	\$ (87,492,947)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Stock-based compensation	1,178,035	1,251,579	7,680,460
Revaluation of warrants	(268,543)	438,215	(1,111,807)
Impairment of bonds	—	—	151,402
Loss from sale of assets	217,296	—	217,296
Depreciation	320,525	178,469	2,343,815
Foreign currency loss on liquidation	—	191,733	191,733
Changes in:			
Prepaid expenses and other current assets	(467,661)	(1,110,136)	(2,082,065)
Accounts payable, accrued expenses, and other current liabilities	576	2,586,275	4,090,476
Deferred revenue	15,367,024	(2,040,700)	12,567,570
Interest accrued on promissory notes	—	—	91,249
Net cash (used in) provided by operating activities	7,255,406	(11,457,233)	(63,352,818)
Cash flows from investing activities:			
Redemptions of (investments in) certificates of deposit	(14,685)	120,399	(510,560)
Purchases of equipment, improvements, and furniture and fixtures	(50,412)	(24,112)	(1,382,555)
Net cash provided by (used in) investing activities	(65,097)		