

ZIOPHARM ONCOLOGY INC
Form 10-Q
November 06, 2017
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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, 2017

OR

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

Commission File Number 001-33038

ZIOPHARM Oncology, Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of	84-1475642 (I.R.S. Employer
incorporation or organization)	Identification No.)
One First Avenue, Parris Building 34, Navy Yard Plaza	

Boston, Massachusetts 02129

(617) 259-1970

(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:

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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 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, 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:

The number of shares of the registrant's common stock, \$0.001 par value, outstanding as of October 31, 2017, was 141,962,789 shares.

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NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that are based on our current beliefs and expectations. These forward-looking statements may be accompanied by such words as anticipate, believe, estimate, expect, forecast, intend, may, plan, project, target, will and other words and terms of similar meaning. I made in particular to forward-looking statements regarding:

our ability to finance our operations and business initiatives and to continue as a going concern;

the sufficiency of our cash and investments and our expected uses of cash;

the progress, timing and results of preclinical and clinical trials involving our product candidates;

the progress of our research and development programs;

the costs and timing of the development and commercialization of our products;

additional planned regulatory filings for the approval and commercialization of our immuno-oncology product candidates;

whether any of our other therapeutic discovery and development efforts will advance further in pre clinical research or in the clinical trial process and whether and when, if at all, our product candidates will receive final approval from the U.S. Food and Drug Administration or equivalent foreign regulatory agencies and for which indications;

whether any other therapeutic products we develop will be successfully marketed if approved;

the risk that final trial data may not support interim analysis of the viability of our product candidates;

our ability to achieve the results contemplated by our collaboration agreements and the benefits to be derived from relationships with collaborators;

competition from other pharmaceutical and biotechnology companies;

the development of, and our ability to take advantage of, the market for our product candidates;

the anticipated amount, timing and accounting of deferred revenues, milestones and other payments under licensing, collaboration or acquisition agreements, research and development costs and other expenses;

the strength and enforceability of our intellectual property rights;

our assessment of the potential impact on our future revenues of health care reform legislation in the United States;

the timing and impact of measures worldwide designed to reduce health care costs;

the uncertainty of economic conditions in certain countries in Europe and Asia such as related to the United Kingdom's referendum in June 2016 in which voters approved an exit from the European Union, commonly referred to as "Brexit"; and general economic conditions.

These forward-looking statements involve risks and uncertainties, including those that are described in the *Risk Factors* section of this report and elsewhere within this report that could cause actual results to differ materially from those reflected in such statements. You should not place undue reliance on these statements. Forward-looking statements speak only as of the date of this report. We do not undertake any obligation to publicly update any forward-looking statements.

NOTE REGARDING COMPANY REFERENCES

Throughout this Quarterly Report on Form 10-Q, ZIOPHARM, the Company, we, us and our refer to ZIOPHARM Oncology, Inc.

NOTE REGARDING TRADEMARKS

All trademarks, trade names and service marks appearing in this Quarterly Report on Form 10-Q are the property of their respective owners.

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Table of Contents**Part I - Financial Information****Item 1. Financial Statements****ZIOPHARM Oncology, Inc.****BALANCE SHEETS****(unaudited)****(in thousands, except share and per share data)**

	September 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 84,406	\$ 81,053
Receivables	13	21
Prepaid expenses and other current assets	30,469	23,810
Total current assets	114,888	104,884
Property and equipment, net	1,047	843
Deposits	128	128
Other non-current assets	496	493
Total assets	\$ 116,559	\$ 106,348
LIABILITIES, PREFERRED STOCK AND STOCKHOLDERS DEFICIT		
Current liabilities:		
Accounts payable	\$ 1,524	\$ 156
Accrued expenses	10,110	9,109
Deferred revenue - current portion	6,389	6,389
Deferred rent - current portion	166	155
Total current liabilities	18,189	15,809
Deferred revenue, net of current portion	36,736	41,528
Deferred rent, net of current portion	14	126
Derivative liabilities	2,350	862
Total liabilities	57,289	58,325
Commitments and contingencies (Note 6)		
Preferred stock, \$0.001 par value, 30,000,000 shares authorized		
Series 1 preferred stock, \$1,200 stated value; 250,000 designated; 116,127 and 106,184 shares issued and outstanding at September 30, 2017 and	139,065	125,321

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December 31, 2016, respectively; liquidation value of \$139.4 million and \$127.4 million at September 30, 2017 and December 31, 2016, respectively

Stockholders' deficit:		
Common stock, \$0.001 par value; 250,000,000 shares authorized; 141,962,789 and 132,376,670 shares issued and outstanding at September 30, 2017 and December 31, 2016, respectively	142	132
Additional paid-in capital - common stock	619,232	580,567
Accumulated deficit	(699,169)	(657,997)
Total stockholders' deficit	(79,795)	(77,298)
Total liabilities and stockholders' deficit	\$ 116,559	\$ 106,348

The accompanying notes are an integral part of the unaudited interim financial statements.

Table of Contents**ZIOPHARM Oncology, Inc.****STATEMENTS OF OPERATIONS****(unaudited)****(in thousands, except share and per share data)**

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2017	2016	2017	2016
Collaboration revenue	\$ 1,598	\$ 1,598	\$ 4,792	\$ 5,264
Operating expenses:				
Research and development	11,105	8,975	33,903	148,402
General and administrative	3,571	3,537	10,946	11,058
Total operating expenses	14,676	12,512	44,849	159,460
Loss from operations	(13,078)	(10,914)	(40,057)	(154,196)
Other income (expense), net	175	39	299	102
Change in fair value of derivative liabilities	202	21	(1,292)	21
Net loss	\$ (12,701)	\$ (10,854)	\$ (41,050)	\$ (154,073)
Preferred stock dividends	\$ (4,903)	\$ (3,591)	\$ (13,939)	\$ (3,591)
Net loss applicable to common stockholders	\$ (17,604)	\$ (14,445)	\$ (54,989)	\$ (157,664)
Basic and diluted net loss per share	\$ (0.13)	\$ (0.11)	\$ (0.41)	\$ (1.21)
Weighted average common shares outstanding used to compute basic and diluted net loss per share	140,632,297	130,496,035	135,689,364	130,347,370

The accompanying notes are an integral part of the unaudited interim financial statements.

Table of Contents**ZIOPHARM Oncology, Inc.****STATEMENT OF STOCKHOLDERS DEFICIT****For the Nine Months Ended September 30, 2017****(unaudited)****(in thousands, except share and per share data)**

	Series 1 Preferred Stock - Mezzanine		Common Stock		Additional Paid In Capital Common Stock		Accumulated Deficit	Total Stockholders Deficit
	Shares	Amount	Shares	Amount				
Balance at December 31, 2016	106,184	\$ 125,321	132,376,670	\$ 132	\$ 580,567	\$ (657,997)	\$ (77,298)	
Cumulative effect adjustment (Note 3)					122	(122)		
Exercise of employee stock options			26,047	1	98		99	
Stock-based compensation					6,165		6,165	
Restricted stock buy-back at vesting to cover taxes			(148,666)	(1)	(1,041)		(1,042)	
Issuance of common stock, net of commissions and expenses of \$2.7 million			9,708,738	10	47,260		47,270	
Preferred stock dividends	9,943	13,744			(13,939)		(13,939)	
Net loss						(41,050)	(41,050)	
Balance at September 30, 2017	116,127	\$ 139,065	141,962,789	\$ 142	\$ 619,232	\$ (699,169)	\$ (79,795)	

The accompanying notes are an integral part of the unaudited interim financial statements.

Table of Contents**ZIOPHARM Oncology, Inc.****STATEMENTS OF CASH FLOWS****(unaudited)****(in thousands)**

	For the Nine Months Ended September 30,	
	2017	2016
Cash flows from operating activities:		
Net loss	\$ (41,050)	\$ (154,073)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	259	227
Stock-based compensation	6,165	6,094
Preferred stock issued in exchange for a license agreement		118,936
Change in fair value of derivative liabilities	1,292	(21)
Issuance of common stock in a license agreement		87
Change in operating assets and liabilities:		
(Increase) decrease in:		
Receivables	8	421
Prepaid expenses and other current assets	(6,660)	(9,611)
Other noncurrent assets	(3)	1
Increase (decrease) in:		
Accounts payable	1,368	(194)
Accrued expenses	1,002	(1,542)
Deferred revenue	(4,792)	(5,264)
Deferred rent	(102)	(322)
Net cash used in operating activities	(42,513)	(45,261)
Cash flows from investing activities:		
Purchases of property and equipment	(461)	(469)
Net cash used in investing activities	(461)	(469)
Cash flows from financing activities:		
Proceeds from exercise of stock options	99	551
Repurchase of restricted common stock	(1,042)	(853)
Repurchase of common stock		(2)
Proceeds from issuance of common stock, net of commissions and expenses of \$2.7 million	47,270	
Net cash provided by (used in) financing activities	46,327	(304)

Net decrease in cash and cash equivalents	3,353
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