

Flexion Therapeutics Inc  
Form 10-Q  
August 08, 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 JUNE 30, 2017

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: 001-36287

Flexion Therapeutics, Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	26-1388364 (I.R.S. Employer Identification No.)
10 Mall Road, Suite 301 Burlington, Massachusetts	01803

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(Address of Principal Executive Offices) (Zip Code)

(781) 305-7777

(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 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 registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of August 3, 2017 the registrant had 31,905,664 shares of Common Stock (\$0.001 par value) outstanding.

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FLEXION THERAPEUTICS, INC.

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

Flexion Therapeutics, Inc.

## Condensed Consolidated Balance Sheets

(Unaudited in thousands, except share amounts)

	June 30,	December 31,
	2017	2016
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 197,179	\$ 30,915
Marketable securities	162,680	174,688
Prepaid expenses and other current assets	2,334	3,790
Total current assets	\$ 362,193	\$ 209,393
Property and equipment, net	11,863	11,664
Long-term investments	—	4,725
Restricted cash	600	480
Total assets	\$ 374,656	\$ 226,262
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 2,741	\$ 2,161
Accrued expenses and other current liabilities	7,097	6,245
Current portion of long-term debt	9,967	9,134
Total current liabilities	\$ 19,805	\$ 17,540
Long-term debt, net	17,584	21,399
2024 convertible notes, net	133,484	-
Other long-term liabilities	404	291
Total liabilities	\$ 171,277	\$ 39,230
<b>Commitments and contingencies</b>		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized at June 30, 2017		
and December 31, 2016 and 0 shares issued and outstanding at June 30, 2017		
and December 31, 2016	—	—
<b>Stockholders' equity:</b>		
Common stock, \$0.001 par value; 100,000,000 shares authorized; 31,904,926 and		
31,667,469 shares issued and outstanding, at June 30, 2017 and		
December 31, 2016, respectively	32	32
Additional paid-in capital	467,874	398,757
Accumulated other comprehensive income	(77 )	(71 )
Accumulated deficit	(264,450)	(211,686)

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Total stockholders' equity	203,379	187,032
Total liabilities and stockholders' equity	\$374,656	\$226,262

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

Flexion Therapeutics, Inc.

## Condensed Consolidated Statements of Operations and Comprehensive Loss

(Unaudited in thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2017	2016	June 30, 2017	2016
Revenue	\$—	\$—	\$—	\$—
Operating expenses:				
Research and development	11,769	8,905	22,524	20,886
General and administrative	15,133	5,215	28,158	9,907
Total operating expenses	26,902	14,120	50,682	30,793
Loss from operations	(26,902)	(14,120)	(50,682)	(30,793)
Other income (expense):				
Interest income	797	295	1,355	631
Interest expense	(2,887 )	(202 )	(3,520 )	(478 )
Other income (expense), net	112	(158 )	83	(360 )
Total other income (expense)	(1,978 )	(65 )	(2,082 )	(207 )
Net loss	\$(28,880)	\$(14,185)	\$(52,764)	\$(31,000)
Net loss per share basic and diluted	\$(0.91 )	\$(0.63 )	\$(1.66 )	\$(1.40 )
Weighted average common shares outstanding, basic and diluted	31,826	22,666	31,765	22,115
Other comprehensive (loss) income:				
Unrealized (loss) from available-for-sale securities, net of tax				
of \$0	(17 )	(18 )	(6 )	(108 )
Total other comprehensive (loss) income	(17 )	(18 )	(6 )	(108 )
Comprehensive loss	\$(28,897)	\$(14,203)	\$(52,770)	\$(31,108)

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

Flexion Therapeutics, Inc.

## Condensed Consolidated Statements of Changes in Stockholder's Equity (Deficit)

(Unaudited in thousands)

	Common Stock			Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholder's Equity (Deficit)
	Shares	Par Value	Additional Paid-in-Capital			
Balance at December 31, 2014	21,440	\$ 21	\$ 238,402	\$ (5 )	\$ (93,477 )	\$ 144,941
Exercise of stock options	109	1	592			\$ 593
Employee Stock Purchase Plan	21	—	276			276
Stock-based compensation expense			4,583			4,583
Net loss					(46,315 )	(46,315 )
Other comprehensive loss				(92 )		(92 )
Balance at December 31, 2015	21,570	\$ 22	\$ 243,853	\$ (97 )	\$ (139,792 )	\$ 103,986
Issuance of Common Stock net of issuance costs	10,040	10	147,491			147,501
Exercise of stock options	30	-	167			167
Employee Stock Purchase Plan	27	—	476			476
Stock-based compensation expense			6,770			6,770
Net loss					(71,894 )	(71,894 )
Other comprehensive loss				26		26
Balance at December 31, 2016	31,667	\$ 32	\$ 398,757	\$ (71 )	\$ (211,686 )	\$ 187,032
Exercise of stock options	182	—	1,457			\$ 1,457
Employee Stock Purchase Plan	56	—	453			453
Stock-based compensation expense			4,741			4,741
Convertible debt			62,466			62,466
Net loss					(52,764 )	(52,764 )
Other comprehensive loss				(6 )		(6 )
Balance at June 30, 2017	31,905	\$ 32	\$ 467,874	\$ (77 )	\$ (264,450 )	\$ 203,379

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

Flexion Therapeutics, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited in thousands)

	Six Months Ended	
	June 30, 2017	2016
<b>Cash flows from operating activities</b>		
Net loss	\$(52,764 )	\$(31,000)
<b>Adjustments to reconcile net loss to cash used in operating activities:</b>		
Depreciation	927	269
Stock-based compensation expense	4,741	3,260
Amortization of premium (discount) on marketable securities	259	345
Loss on disposal of fixed assets	—	2,278
Amortization of convertible debt discount and debt issuance costs	1,190	18
Premium paid on securities purchased	(580 )	(22 )
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	—	(6 )
Prepaid expenses, other current and long-term assets	1,456	(353 )
Accounts payable	736	412
Accrued expenses and other current and long-term liabilities	1,796	(517 )
Net cash used in operating activities	(42,239 )	(25,316)
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(1,682 )	(7,678 )
Change in restricted cash	(120 )	—
Purchases of marketable securities	(118,320)	(10,804)
Sale and redemption of marketable securities	135,363	21,997
Net cash provided by investing activities	15,241	3,515
<b>Cash flows from financing activities</b>		
Proceeds from the issuance of 2024 convertible notes	201,250	—
Payment of debt issuance costs	(6,470 )	(42 )
Proceeds from the offering of common stock	—	77,644
Payments on notes payable	(3,333 )	—
Payments of public offering costs	(95 )	(31 )
Proceeds from the exercise of stock options	1,457	56
Proceeds from Employee Stock Purchase Plan	453	240
Net cash provided by financing activities	193,262	77,867
Net increase in cash and cash equivalents	166,264	56,066
Cash and cash equivalents at beginning of period	30,915	62,944
Cash and cash equivalents at end of period	\$	