

Karyopharm Therapeutics Inc.
Form 10-Q
May 09, 2016
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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 March 31, 2016

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: 001-36167

Karyopharm Therapeutics Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

85 Wells Avenue, 2nd Floor

Newton, MA
(Address of principal executive offices)

(617) 658-0600

26-3931704
(I.R.S. Employer

Identification Number)

02459
(Zip Code)

(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 May 3, 2016 there were 35,960,443 shares of Common Stock, \$0.0001 par value per share, outstanding.

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Condensed Consolidated Financial Statements (Unaudited).
Karyopharm Therapeutics Inc.****CONDENSED CONSOLIDATED BALANCE SHEETS****(unaudited)****(in thousands, except share and per share amounts)**

	March 31, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 42,188	\$ 58,358
Short-term investments	94,228	117,275
Prepaid expenses and other current assets	1,726	1,967
Total current assets	138,142	177,600
Property and equipment, net	3,343	3,483
Long-term investments	50,165	33,878
Restricted cash	485	482
Total assets	\$ 192,135	\$ 215,443
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable	\$ 4,109	\$ 3,808
Accrued expenses	8,652	11,023
Deferred rent	263	206
Other current liabilities	198	95
Total current liabilities	13,222	15,132
Deferred rent, net of current portion	1,877	1,946
Total liabilities	15,099	17,078
Stockholders equity:		
Preferred stock, \$0.0001 par value; 5,000,000 shares authorized; none issued and outstanding		
Common stock, \$0.0001 par value; 100,000,000 shares authorized; 35,924,738 and 35,864,765 shares issued and outstanding at March 31, 2016 and December 31, 2015, respectively	4	4
Additional paid-in capital	460,524	455,170

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Accumulated other comprehensive income (loss)	94	(282)
Accumulated deficit	(283,586)	(256,527)
Total stockholders' equity	177,036	198,365
Total liabilities and stockholders' equity	\$ 192,135	\$ 215,443

See accompanying notes to condensed consolidated financial statements.

Table of Contents**Karyopharm Therapeutics Inc.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(unaudited)****(in thousands, except share and per share amounts)**

	Three Months Ended, March 31,	
	2016	2015
Operating expenses:		
Research and development	\$ 21,795	\$ 20,751
General and administrative	5,554	5,399
Total operating expenses	27,349	26,150
Loss from operations	(27,349)	(26,150)
Other income (expense):		
Interest income	286	141
Other income (expense)	4	(58)
Total other income (expense), net	290	83
Net loss	\$ (27,059)	\$ (26,067)
Net loss per share basic and diluted	\$ (0.75)	\$ (0.74)
Weighted-average number of common shares outstanding used in net loss per share basic and diluted	35,878,502	35,317,181

See accompanying notes to condensed consolidated financial statements.

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Karyopharm Therapeutics Inc.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(unaudited)

(in thousands)

	Three Months Ended, March 31,	
	2016	2015
Net loss	\$ (27,059)	\$ (26,067)
Comprehensive income (loss):		
Unrealized gain on investments	343	52
Foreign currency translation adjustments	33	(4)
Comprehensive loss	\$ (26,683)	\$ (26,019)

See accompanying notes to condensed consolidated financial statements.

Table of Contents**Karyopharm Therapeutics Inc.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(unaudited)****(in thousands)**

	Three Months Ended, March 31,	
	2016	2015
Operating activities		
Net loss	\$ (27,059)	\$ (26,067)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	179	136
Net amortization of premiums and discounts on investments	314	231
Stock-based compensation expense	5,158	3,749
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	243	(887)
Accounts payable	294	268
Accrued expenses and other liabilities	(2,282)	1,701
Deferred rent	(12)	644
Net cash used in operating activities	(23,165)	(20,225)
Investing activities		
Purchases of property and equipment	(39)	(178)
Proceeds from maturities of investments	65,793	15,000
Purchases of investments	(59,003)	(184,902)
Net cash provided by (used in) investing activities	6,751	(170,080)
Financing activities		
Proceeds from the issuance of common stock, net of issuance costs		90,990
Proceeds from the exercise of stock options and shares issued under employee stock purchase plan	196	170
Net cash provided by financing activities	196	91,160
Effect of exchange rate on cash	48	(11)
Net decrease in cash and cash equivalents	(16,170)	(99,156)
Cash and cash equivalents at beginning of period	58,358	150,609
Cash and cash equivalents at end of period	\$ 42,188	\$ 51,453
Supplemental disclosure of non-cash financing activity		
Property and equipment purchases included in accounts payable and accrued expenses	\$	\$ 486
Vesting of restricted common stock	\$	\$ 43

Deferred financing costs included in accounts payable	\$	\$	160
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See accompanying notes to condensed consolidated financial statements.

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Karyopharm Therapeutics Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands except share and per share data)

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Karyopharm Therapeutics Inc. (the Company) have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial reporting and as required by Regulation S-X, Rule 10-01. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (including those which are normal and recurring) considered necessary for a fair presentation of the interim financial information have been included. When preparing financial statements in conformity with GAAP, the Company must make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures at the date of the financial statements. Actual results could differ from those estimates. Additionally, operating results for the three months ended March 31, 2016 are not necessarily indicative of the results that may be expected for any other interim period or for the fiscal year ending December 31, 2016. For further information, refer to the financial statements and footnotes included in the Company s Annual Report on Form 10-K for the year ended December 31, 2015 as filed with the Securities and Exchange Commission (SEC) on March 15, 2016.

Basis of Consolidation

The condensed consolidated financial statements at March 31, 2016 include the accounts of Karyopharm Therapeutics Inc. (a Delaware corporation), the accounts of Karyopharm Securities Corp., a wholly-owned Massachusetts corporation of the Company incorporated in December 2013), the accounts of Karyopharm Europe GmbH (a wholly-owned German Limited Liability Company formed in August 2014), and the accounts of Karyopharm Therapeutics (Bermuda) Ltd. (a wholly-owned Bermuda subsidiary of the Company formed in March 2015). All intercompany balances and transactions have been eliminated in consolidation.

2. Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (the FASB) issued ASU No. 2016-02, *Leases (Topic 842)*. The new standard requires that all lessees recognize the assets and liabilities that arise from leases on the balance sheet and disclose qualitative and quantitative information about its leasing arrangements. The new standard will be effective for the Company on January 1, 2019. The Company is currently evaluating the potential impact that this standard may have on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation - Stock Compensation*, which amends ASC Topic 718, *Compensation - Stock Compensation*. The new standard identifies areas for simplification involving several aspects of accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. The amendments are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted. An entity that elects early adoption must adopt all of the amendments in the same period.

The Company is currently evaluating the potential impact that ASU 2016-09 may have on the Company's financial position or results of operations.

The Company did not adopt any new accounting pronouncements during the three months ended March 31, 2016 that had an effect on the Company's condensed consolidated financial statements.

3. Fair Value of Financial Instruments

Financial instruments, including cash, restricted cash, prepaid expenses and other current assets, accounts payable and accrued expenses are presented in the condensed consolidated financial statements at amounts that approximate fair value at March 31, 2016 and December 31, 2015.

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The Company is required to disclose information on all assets and liabilities reported at fair value that enables an assessment of the inputs used in determining the reported fair values. The fair value hierarchy prioritizes valuation inputs based on the observable nature of those inputs. The fair value hierarchy applies only to the valuation inputs used in determining the reported fair value of the investments and is not a measure of the investment credit quality. The hierarchy defines three levels of valuation inputs:

Level 1 inputs Quoted prices in active markets for identical assets or liabilities

Level 2 inputs Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 inputs Unobservable inputs that reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability

Items classified as Level 2 within the valuation hierarchy consist of commercial paper, corporate debt securities and U.S. government agency securities. The Company estimates the fair values of these marketable securities by taking into consideration valuations obtained from third-party pricing sources. These pricing sources utilize industry standard valuation models, including both income and market-based approaches, for which all significant inputs are observable, either directly or indirectly, to estimate fair value. These inputs include market pricing based on real-time trade data for the same or similar securities, issuer credit spreads, benchmark yields, and other observable inputs. The Company validates the prices provided by its third-party pricing sources by understanding the models used, obtaining market values from other pricing sources and analyzing pricing data in certain instances.

The following table presents information about the Company's financial assets that have been measured at fair value at March 31, 2016 and indicates the fair value hierarchy of the valuation inputs utilized to determine such fair value (in thousands):

Description	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets				
Cash equivalents:				
Money market funds	\$ 30,145	\$ 30,145	\$	\$
Corporate debt securities	1,474		1,474	
Investments:				
Current:				
Corporate debt securities	56,663		56,663	
Commercial paper	36,564		36,564	
U.S. government and agency securities	1,001		1,001	
Non-current:				
Corporate debt securities (one to two year maturity)	45,664		45,664	
U.S. government and agency securities (one to two year maturity)	4,501		4,501	

\$ 176,012	\$	30,145	\$	145,867	\$
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The following table presents information about the Company's financial assets that have been measured at fair value at December 31, 2015 and indicates the fair value hierarchy of the valuation inputs utilized to determine such fair value (in thousands):

Description	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets				
Cash equivalents:				
Money market funds	\$ 49,172	\$ 49,172	\$	\$
Investments:				
Current:				
Corporate debt securities	86,447		86,447	
Commercial paper	29,828		29,828	
U.S. government and agency securities	1,000		1,000	
Non-current:				
Corporate debt securities (one to two year maturity)	33,878		33,878	
	\$ 200,325	\$ 49,172	\$ 151,153	\$

4. Investments

The following table summarizes the Company's investments as of March 31, 2016 (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Loss	Fair Value
Current:				
Corporate debt securities	\$ 56,657	\$ 27	\$ (21)	\$ 56,663
Commercial paper	36,512	52		36,564
U.S. government and agency securities	1,000	1		1,001
Non-current:				
Corporate debt securities				