

RIGEL PHARMACEUTICALS INC

Form 10-Q

August 04, 2009

[Table of Contents](#)

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

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, 2009

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 0-29889

Rigel Pharmaceuticals, Inc.

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(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

94-3248524
(I.R.S. Employer Identification No.)

1180 Veterans Blvd.
South San Francisco, CA
(Address of principal executive offices)

94080
(Zip Code)

(650) 624-1100

(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 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
Non-accelerated filer
(Do not check if a smaller reporting company)

Accelerated filer
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 July 30, 2009, there were **36,839,274** shares of the registrant's common stock outstanding.

Table of Contents

RIGEL PHARMACEUTICALS, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2009

INDEX

	Page
<u>PART I</u>	
<u>FINANCIAL INFORMATION</u>	
<u>Item 1.</u>	3
<u>Condensed Financial Statements</u>	3
<u>Condensed Balance Sheets – June 30, 2009 (Unaudited) and December 31, 2008</u>	3
<u>Condensed Statements of Operations (Unaudited) – three and six months ended June 30, 2009 and 2008</u>	4
<u>Condensed Statements of Cash Flows (Unaudited) – six months ended June 30, 2009 and 2008</u>	5
<u>Notes to Condensed Financial Statements (Unaudited)</u>	6
<u>Report of Independent Registered Public Accounting Firm</u>	13
<u>Item 2.</u>	14
<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	14
<u>Item 3.</u>	24
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	24
<u>Item 4.</u>	24
<u>Controls and Procedures</u>	24
<u>PART II</u>	26
<u>OTHER INFORMATION</u>	26
<u>Item 1.</u>	26
<u>Legal Proceedings</u>	26
<u>Item 1A.</u>	26
<u>Risk Factors</u>	26
<u>Item 4.</u>	38
<u>Submission of Matters to a Vote of Security Holders</u>	38
<u>Item 6.</u>	38
<u>Exhibits</u>	38
<u>Signatures</u>	40

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Condensed Financial Statements****RIGEL PHARMACEUTICALS, INC.****CONDENSED BALANCE SHEETS****(In thousands, except share and per share amounts)**

	June 30, 2009 (unaudited)	December 31, 2008 (1)
Assets		
Current assets:		
Cash and cash equivalents	\$ 23,579	\$ 46,005
Available-for-sale securities	56,366	88,472
Prepaid expenses and other current assets	2,634	3,610
Total current assets	82,579	138,087
Property and equipment, net	2,946	3,567
Other assets	2,698	2,204
	\$ 88,223	\$ 143,858
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable	\$ 4,498	\$ 5,984
Accrued compensation	2,309	1,625
Other accrued liabilities	10,964	12,029
Deferred rent	589	3,174
Capital lease obligations	1,167	1,339
Total current liabilities	19,527	24,151
Long-term portion of capital lease obligations	1,431	2,053
Long-term portion of deferred rent	15,544	13,311
Other long-term liabilities	166	178
Commitments and contingencies		
Stockholders equity:		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized; none issued and outstanding as of June 30, 2009 and December 31, 2008		
Common stock, \$0.001 par value; 100,000,000 shares authorized; 36,808,628 and 36,646,397 shares issued and outstanding on June 30, 2009 and December 31, 2008, respectively	37	37
Additional paid-in capital	613,052	605,509
Accumulated other comprehensive income	46	396
Accumulated deficit	(561,580)	(501,777)
Total stockholders equity	51,555	104,165
	\$ 88,223	\$ 143,858

(1) The balance sheet at December 31, 2008 has been derived from the audited financial statements at that date included in Rigel's Annual Report on Form 10-K for the year ended December 31, 2008.

See Accompanying Notes.

Table of Contents**RIGEL PHARMACEUTICALS, INC.****CONDENSED STATEMENTS OF OPERATIONS****(In thousands, except per share amounts)****(unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Contract revenues	\$	\$	\$	\$
Costs and expenses:				
Research and development	24,948	28,416	49,486	50,036
General and administrative	5,050	6,861	9,653	13,986
Restructuring charges			1,141	
	29,998	35,277	60,280	64,022
Loss from operations	(29,998)	(35,277)	(60,280)	(64,022)
Interest income	159	1,289	506	2,819
Interest expense	(69)	(41)	(122)	(88)
Loss before income taxes	(29,908)	(34,029)	(59,896)	(61,291)
Income tax benefit	27		93	
Net loss	\$ (29,881)	\$ (34,029)	\$ (59,803)	\$ (61,291)
Net loss per share, basic and diluted	\$ (0.81)	\$ (0.93)	\$ (1.63)	\$ (1.73)
Weighted average shares used in computing net loss per common share, basic and diluted	36,704	36,505	36,701	35,461

See Accompanying Notes.

Table of Contents**RIGEL PHARMACEUTICALS, INC.****CONDENSED STATEMENTS OF CASH FLOWS****(In thousands)****(unaudited)**

	Six Months Ended June 30,	
	2009	2008
Operating activities		
Net loss	\$ (59,803)	\$ (61,291)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	692	710
Stock-based compensation expense	6,125	11,765
Changes in assets and liabilities:		
Prepaid expenses and other current assets	976	(1,739)
Other assets	122	75
Accounts payable	(1,486)	(1,300)
Accrued compensation	684	(4,661)
Other accrued liabilities	(1,065)	4,916
Deferred rent and other long-term liabilities	(364)	(325)
Net cash used in operating activities	(54,119)	(51,850)
Investing activities		
Purchases of available-for-sale securities	(60,376)	(139,539)
Maturities of available-for-sale securities	83,940	67,212
Sale of available-for-sale securities	8,192	
Capital expenditures	(71)	(1,231)
Net cash provided by (used in) investing activities	31,685	(73,558)
Financing activities		
Proceeds from capital lease financings		829
Payments on capital lease obligations	(794)	(594)
Net proceeds from issuances of common stock	802	129,727
Net cash provided by financing activities	8	129,962
Net (decrease) increase in cash and cash equivalents	(22,426)	4,554
Cash and cash equivalents at beginning of period	46,005	44,503
Cash and cash equivalents at end of period	\$ 23,579	\$ 49,057
Supplemental disclosure of cash flow information		
Interest paid	\$ 102	\$ 85
Schedule of non cash transactions		
Issuance of warrant with lease amendment	\$ 616	\$

See Accompanying Notes.

Table of Contents

Rigel Pharmaceuticals, Inc.

Notes to Condensed Financial Statements

(unaudited)

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In this report, Rigel, we, us and our refer to Rigel Pharmaceuticals, Inc.

1. Nature of Operations

We were incorporated in the state of Delaware on June 14, 1996. We are engaged in the discovery and development of novel, small-molecule drugs for the treatment of inflammatory/autoimmune diseases, as well as for certain cancers and metabolic diseases.

2. Basis of Presentation

Our accompanying unaudited condensed financial statements have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP, for interim financial information and pursuant to the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. These unaudited condensed financial statements include all normal and recurring adjustments that we believe are necessary to fairly state our financial position and the results of our operations and cash flows. Interim-period results are not necessarily indicative of results of operations or cash flows for a full-year. The balance sheet at December 31, 2008 has been derived from audited financial statements at that date, but does not include all disclosures required by U.S. GAAP for complete financial statements. Because all of the disclosures required by U.S. GAAP for complete financial statements are not included herein, these interim unaudited condensed financial statements and the notes accompanying them should be read in conjunction with our audited financial statements and the notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2008.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ from these estimates.

On May 28, 2009, the Financial Accounting Standards Board, or FASB, issued Statement of Financial Account Standards, or SFAS, No. 165, *Subsequent Events* intended to establish general standards of accounting and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS No. 165 requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. We evaluated subsequent events through August 4, 2009, the date our accompanying condensed financial statements were issued.

3. Recent Accounting Pronouncements

On July 1, 2009, the FASB launched the FASB Accounting Standards CodificationTM, or the Codification, as the single source of authoritative U.S. GAAP recognized by the FASB. The Codification reorganizes various U.S. GAAP pronouncements into accounting topics and displays them using a consistent structure. All existing accounting standards documents are superseded as described in SFAS No. 168, *The FASB Accounting Standards CodificationTM and the Hierarchy of Generally Accepted Accounting Principles*. All of the contents of the Codification carry the same level of authority, effectively superseding SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles*, which identified and ranked the sources of accounting principles and the framework for selecting the principles used in preparing the financial statements in conformity with U.S. GAAP. Also included in the Codification are rules and interpretive releases of the U.S. Securities and Exchange Commission, or SEC, under authority of federal securities laws which are also sources of authoritative U.S. GAAP for SEC registrants. The Codification is effective for interim and annual periods ending after September 15, 2009. We adopted SFAS No. 168 on July 1, 2009. We believe the Codification has no material impact on our financial statements other than changing the way specific accounting standards

are referenced in our financial statements.

On June 25, 2008, the FASB ratified the consensus reached by the Emerging Issues Task Force, or EITF, on EITF Issue No. 07-5 *Determining Whether an Instrument (or Embedded Feature) is Indexed to an Entity's Own Stock*, or EITF 07-5. EITF 07-5 provides guidance on how to determine whether certain instruments or features were indexed to a company's own stock. EITF 07-5 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. We adopted EITF 07-5 on January 1, 2009 and concluded it had no material impact on our financial statements.

Table of Contents

On December 12, 2007, the FASB ratified the consensus reached by the EITF on EITF Issue No. 07-1, *Accounting for Collaborative Arrangements*, or EITF 07-1. EITF 07-1 defines collaborative arrangements and establishes reporting requirements for transactions between participants in a collaborative arrangement and between participants in the arrangement and third parties. EITF 07-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008 and will be applied retrospectively to all prior periods presented for all collaborative arrangements existing as of the effective date. We adopted EITF 07-1 on January 1, 2009 and concluded it had no material impact on our financial statements.