MICROMET, INC.
Form 10-Q
May 05, 2010

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2010

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: 0-50440

MICROMET, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	52-2243564 (I.R.S. Employer Identification No.)
6707 Democracy Boulevard, Suite 505, Bethesda, MD (Address of principal executive offices)	20817 (Zip Code)

(240) 752-1420
(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. þ 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 definition of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated filer þ	Non-accelerated filer ¨	Smaller reporting company ¨
		(Do not check if a 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 þ No

The number of outstanding shares of the registrant’s common stock, par value $0.00004 per share, as of the close of business on May 1, 2010 was 80,831,555.

MICROMET, INC.
FORM 10-Q — QUARTERLY REPORT
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2010
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PART I — FINANCIAL INFORMATION
Item 1. Financial Statements

Micromet, Inc.
Condensed Consolidated Balance Sheets
(In thousands, except par value)
(unaudited)

	March 31, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 136,631	$ 113,434
Short-term investments	46,092	4,169
Accounts receivable	534	464
Prepaid expenses and other current assets	1,186	2,156
Total current assets	184,443	120,223
Property and equipment, net	3,846	3,959
Goodwill	6,462	6,462
Patents, net	836	1,016
Other long-term assets	10	-
Restricted cash	3,106	3,153
Total assets	$ 198,703	$ 134,813
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 5,657	$ 6,053
Accrued expenses	12,648	16,360
Common stock warrants liability	25,851	20,244
Current portion of deferred revenue	10,238	9,838
Total current liabilities	54,394	52,495
Deferred revenue, net of current portion	16,999	13,281
Other non-current liabilities	2,023	2,196
Long-term debt obligations	-	-
Stockholders' equity:		
Preferred stock, $0.00004 par value; 10,000 shares authorized; no shares issued and outstanding	-	-
Common stock, $0.00004 par value; 150,000 shares authorized; 80,821 shares issued and outstanding at March 31, 2010 and 69,178 shares issued and outstanding at December 31, 2009	3	3
Additional paid-in capital	391,699	314,627
Accumulated other comprehensive income	5,689	8,062
Accumulated deficit	(272,104)	(255,851)
Total stockholders' equity	125,287	66,841
Total liabilities and stockholders' equity	$ 198,703	$ 134,813

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

Micromet, Inc.
Condensed Consolidated Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

	Three months ended March 31, 2010	Three months ended March 31, 2009
Revenues:		
Collaboration agreements	$ 6,040	$ 7,306
License fees and other	270	157
Total revenues	6,310	7,463
Operating expenses:		
Research and development	12,203	8,477
General and administrative	5,220	3,899
Total operating expenses	17,423	12,376
Loss from operations	(11,113)	(4,913)
Other income (expense):		
Interest expense	(87)	(76)
Interest income	115	139
Change in fair value of warrants	(5,607)	4,432
Other (expense) income, net	439	86
Net loss	$ (16,253)	$ (332)
Basic and diluted net loss per common share	$ (0.23)	$ (0.01)
Weighted average shares used to compute basic and diluted net loss per share	70,997	50,913

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

Micromet, Inc.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three months ended March 31, 2010	2009
Cash flows from operating activities:		
Net loss	$ (16,253)	$ (332)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	517	801
Non-cash interest on long-term debt obligations	103	127
Non-cash change in fair value of common stock warrants liability	5,607	(4,432)
Stock-based compensation expense	1,164	1,309
Changes in operating assets and liabilities:		
Accounts receivable	(109)	(2,290)
Prepaid expenses and other current assets	899	579
Accounts payable, accrued expenses and other liabilities	(3,122)	1,389
Deferred revenue	5,614	3,987
Net cash (used in) provided by operating activities	(5,580)	1,138
Cash flows from investing activities:		
Purchases of investments	(45,243)	(21,248)
Proceeds from the maturity of investments	2,032	—
Purchases of property and equipment	(496)	(109)
Net cash used in investing activities	(43,707)	(21,357)
Cash flows from financing activities:		
Proceeds from the issuance of common stock, net	75,397	—
Proceeds from exercise of stock options	186	—
Proceeds from the exercise of warrants	327	—
Principal payments on capital lease obligations	(48)	(36)
Net cash provided by (used in) financing activities	75,862	(36)
Effect of exchange rate changes on cash and cash equivalents	(3,379)	(167)
Net increase (decrease) in cash and cash equivalents	23,196	(20,422)
Cash and cash equivalents at beginning of period	113,435	46,168
Cash and cash equivalents at end of period	136,631	$ 25,746
Supplemental disclosure of cash flow information:		
Cash paid for interest	104	90
Supplemental disclosure of noncash investing and financing activities:		
Acquisitions of equipment purchased through capital leases	28	191

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

Note 1. Business Overview

We are a biopharmaceutical company focused on the discovery, development and commercialization of innovative antibody-based therapies for the treatment of cancer. Our product development pipeline includes novel antibodies generated with our proprietary BiTE® antibody platform, as well as conventional monoclonal antibodies. Five of our antibodies are currently in clinical trials, while the remainder of our product pipeline is in preclinical development. To date, we have incurred significant research and development expenses and have not achieved any revenues from product sales.

Note 2. Basis of Presentation

The accompanying unaudited consolidated financial statements of Micromet, Inc. have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information. In the opinion of the Company's management, the consolidated financial statements reflect all adjustments necessary to present fairly the results of operations for the three months ended March 31, 2010 and 2009, the Company's financial position at March 31, 2010, and the cash flows for the three months ended March 31, 2010 and 2009. These adjustments are of a normal recurring nature.

Certain notes and other information have been condensed or omitted from the interim consolidated financial statements presented in this Quarterly Report on Form 10-Q. Therefore, these financial statements should be read in conjunction with the Company's 2009 Annual Report on Form 10-K. The results of operations for the three months ended March 31, 2010 are not necessarily indicative of future financial results.

Unless otherwise noted, all financial information is that of Micromet, Inc. and our wholly owned subsidiaries: Micromet AG; Micromet Holdings, Inc.; and Cell-Matrix, Inc. Substantially all of our operating activities are conducted through Micromet AG, a wholly-owned subsidiary of Micromet Holdings, Inc. and an indirect wholly-owned subsidiary of Micromet, Inc. The accompanying condensed consolidated financial statements include the accounts of our wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. Unless specifically noted otherwise, as used throughout these notes to the condensed consolidated financial statements, "Micromet," "we," "us," and "our" refers to the business of Micromet, Inc. and its subsidiaries as a whole.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, the valuation of goodwill, intangibles and other long-lived assets, lease exit liabilities, asset retirement obligations and assumptions in the valuation of stock-based compensation. 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 those estimates.

The accompanying financial statements have been prepared assuming we will continue as a going concern. This basis of accounting contemplates the recovery of our assets and the satisfaction of our liabilities in the normal course of business. As of March 31, 2010, we had an accumulated deficit of $272.1 million. We expect that operating losses and negative cash flows from operations will continue for at least the next several years and we will need to generate additional funds to achieve our strategic goals. If necessary, we may seek to raise substantial funds through the sale of our common stock and common stock warrants, or through debt financing or through establishing additional strategic collaboration agreements. We do not know whether additional financing will be available when needed, or whether it will be available on favorable terms, or at all. Based on our capital resources as of the date of this report, we believe that we have adequate resources to fund our operations into late 2012, without considering any potential future milestone payments that we may receive under our current collaborations or any new collaborations we may enter into in the future, any future capital raising transactions or any draw downs from our committed equity financing facility, or CEFF, with Kingsbridge Capital Limited (see Note 7).

Note 3. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents on the balance sheets are comprised of cash at banks, money market funds and short-term deposits with an original maturity from date of purchase of three months or less.

Restricted Cash

We have issued irrevocable standby letters of credit in connection with property that we currently sublease, as well as our current property leases in Munich, Germany and Bethesda, Maryland. As of March 31, 2010 and December 31, 2009, we had a total of $3.1 million and $3.2 million, respectively, in certificates of deposit relating to these letters of credit that is classified as non-current restricted cash on the accompanying balance sheets.

Short-Term Investments

Short-term investments are classified as available-for-sale. Available-for-sale securities are carried at fair value, with the unrealized gains and losses reported in other comprehensive income (loss). The amortization of premiums and accretion of discounts to maturity is included in investment income. Realized gains and losses and declines in value judged to be other-than-temporary that are credit related, if any, on available-for-sale securities are included in other income or expense. In determining whether a decline in the value of an investment is other-than-temporary, we evaluate available quantitative and qualitative factors. These factors include, among others, general market conditions, the duration and extent to which fair value has been less than the carrying value, the investment issuer's financial condition and business outlook and our assessment as to whether it is more likely than not that we will be required to sell a security prior to recovery of its amortized cost basis. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in investment income.

We monitor our investment portfolio for impairment quarterly or more frequently if circumstances warrant. In the event that the carrying value of an investment exceeds its fair value and the decline in value is determined to be other-than-temporary, we record an impairment charge within earnings attributable to the estimated credit loss for debt securities. In determining whether a decline in the value of an investment is other-than-temporary, we evaluate available quantitative and qualitative factors. These factors include, among others, general market conditions, the duration and extent to which fair value has been less than the carrying value, the investment issuer's financial condition and business outlook and our assessment as to whether a decision to sell has been made or whether it is more likely than not that we will be required to sell a security prior to recovery of its carrying value.

All of our short-term investments have maturities less than one year. The amortized cost, net unrealized gain or loss and estimated fair value of short-term investments by security type were as follows at March 31, 2010 and 2009 (in thousands):

	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
Foreign Government Bonds at March 31, 2010	$ 42,313	$ 8	$ (1)	$ 42,320
U.S. Corporate Bonds at March 31, 2010	3,774	—	(2)	3,772
Total	$ 46,087	$ 8	$ (3)	$ 46,092

	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
Foreign Government Bonds at December 31, 2009	$ 4,174	$ —	$ (5)	$ 4,169
U.S. Corporate Bonds at December 31, 2009	—	—	—	—
Total	$ 4,174	$ —	$ (5)	$ 4,169

Fair Value Measurements

The fair value of an asset or liability should represent the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Such transactions to sell an asset or transfer a liability are assumed to occur in the principal or most advantageous market for the asset or liability. Accordingly, fair value is determined based on a hypothetical transaction at the measurement date, considered from the perspective of a market participant rather than from a reporting entity's perspective. New fair value measurements are not required if existing accounting guidance in the Financial Accounting Standard Board (FASB) codification require or permit fair value measurements.

Disclosure of assets and liabilities subject to fair value disclosures are to be classified according to a three level fair value hierarchy with respect to the inputs (or assumptions) used in fair value measurements. Observable inputs such as unadjusted quoted market prices for identical assets or liabilities are given the highest priority within the hierarchy (Level 1). When observable inputs are unavailable, the use of unobservable inputs, which are inputs that a reporting entity believes market participants would use in pricing that are developed based on the best information available, is permitted (Level 2). Unobservable inputs are given the lowest priority within the hierarchy (Level 3). The level within the hierarchy at which a fair value measurement lies is determined based on the lowest level input that is significant to the fair value measurement in its entirety. See Note 4 of these condensed consolidated financial statements for additional information on fair value measurements.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Major replacements and improvements that extend the useful life of assets are capitalized, while general repairs and maintenance are charged to expense as incurred. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, ranging from three to ten years. Leasehold improvements are amortized over the estimated useful lives of the assets or the related lease term, whichever is shorter.

Goodwill

We review goodwill for impairment at least annually and more frequently if events or changes in circumstances indicate a reduction in the fair value of the reporting unit to which the goodwill has been assigned. A reporting unit is an operating segment for which discrete financial information is available and segment management regularly reviews the operating results of that component. We have determined that we have only one reporting unit, the development of biopharmaceutical products. Goodwill is determined to be impaired if the fair value of the reporting unit is less than its carrying amount. We have selected October 1 as our annual goodwill impairment testing date

Patents

Our patent portfolio consists primarily of internally developed patents covering our BiTE antibody platform and the composition of our BiTE antibody product candidates and conventional antibodies. The costs of generating our internally developed patent portfolio have been expensed as incurred.

We also acquired patents in 2001 covering single-chain antibody technology. These purchased patents were originally being amortized over their estimated useful lives through 2011 using the straight-line method. These patents are utilized in revenue-producing activities through license agreements.

Impairment of Long-Lived and Identifiable Intangible Asset