

FLUIDIGM CORP

Form 10-Q

May 08, 2018

FALSE March 31, 2018 2018 Q1 FLDM Accelerated

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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, 2018

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: 001-34180

**FLUIDIGM CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware 77-0513190**

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

**7000 Shoreline Court, Suite 100**  
**South San Francisco, California 94080**  
(Address of principal executive offices) (Zip Code)  
**(650) 266-6000**  
(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, 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

As of April 30, 2018, the number of shares of the Registrant's common stock, \$0.001 par value per share, outstanding.

**FLUIDIGM CORPORATION  
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**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****FLUIDIGM CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEETS***(In thousands, except per share amounts)**(Unaudited)*

	March 31, 2018	December 31, 2017 (Note 2)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 41,972	\$ 58,056
Short-term investments	5,282	5,080
Accounts receivable (net of allowances of \$0 at March 31, 2018 and \$391 at December 31, 2017)	16,267	15,049
Inventories	15,253	15,088
Prepaid expenses and other current assets	2,227	1,528
Total current assets	81,001	94,801
Property and equipment, net	11,433	12,301
Other non-current assets	7,360	7,541
Developed technology, net	65,800	68,600
Goodwill	104,108	104,108
Total assets	\$ 269,702	\$ 287,351
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 5,206	\$ 4,211
Accrued compensation and related benefits	10,045	10,535
Other accrued liabilities	7,808	8,490
Deferred revenue, current	10,645	10,238
Total current liabilities	33,704	33,474
Convertible notes, net	164,156	195,238

Deferred tax liability, net	15,574	16,919
Deferred revenue, non-current	5,313	4,960
Other non-current liabilities	2,381	5,825
Total liabilities	221,128	256,416
Commitments and contingencies (see Note 8)		
Stockholders' equity:		
Preferred stock, \$0.001 par value, 10,000 shares authorized, no shares issued and outstanding at March 31, 2018 and December 31, 2017	—	—
Common stock, \$0.001 par value, 200,000 shares authorized at March 31, 2018 and December 31, 2017; 38,908 and 38,787 shares issued and outstanding as of March 31, 2018 and December 31, 2017, respectively	39	39
Additional paid-in capital	562,151	531,666
Accumulated other comprehensive loss	(532)	(574)
Accumulated deficit	(513,084)	(500,196)
Total stockholders' equity	48,574	30,935
Total liabilities and stockholders' equity	\$ 269,702	\$ 287,351

See accompanying notes.

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**FLUIDIGM CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

*(In thousands, except per share amounts)*

*(Unaudited)*

	<b>Three Months Ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
Revenue:		
Product revenue	\$ 20,477	\$ 21,307
Service revenue	4,771	4,167
License revenue	—	59
Total revenue	25,248	25,533
Costs and expenses:		
Cost of product revenue	10,222	10,851
Cost of service revenue	1,598	1,118
Research and development	7,256	8,524
Selling, general and administrative	18,805	22,576
Total costs and expenses	37,881	43,069
Loss from operations	(12,633)	(17,536)
Interest expense	(1,889)	(1,455)
Other income, net	92	9
Loss before income taxes	(14,430)	(18,982)
Income tax benefit	1,183	1,780
Net loss	\$ (13,247)	\$ (17,202)
Net loss per share, basic and diluted	\$ (0.34)	\$ (0.59)
Shares used in computing net loss per share, basic and diluted	38,856	29,239

See accompanying notes.

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**FLUIDIGM CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

*(In thousands)*

*(Unaudited)*

	<b>Three Months Ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
Net loss	\$ (13,247)	\$ (17,202)
Other comprehensive income, net of tax:		
Foreign currency translation adjustment	43	34
Net change in unrealized (loss) / gain on investments	(1)	1
Other comprehensive income, net of tax	42	35
Comprehensive loss	\$ (13,205)	\$ (17,167)

See accompanying notes.

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**FLUIDIGM CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

*(In thousands)*

*(Unaudited)*

	Three Months Ended March 31,	
	2018	2017
<b>Operating activities</b>		
Net loss	\$ (13,247)	\$ (17,202)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,983	1,951
Stock-based compensation expense	1,747	2,446
Amortization of developed technology	2,800	2,800
Other non-cash items	(58)	(126)
Changes in assets and liabilities:		
Accounts receivable, net	(1,278)	231
Inventories	(539)	436
Prepaid expenses and other current assets	(552)	789
Other non-current assets	83	(996)
Accounts payable	970	162
Deferred revenue	720	792
	(4,017)	1,272

Other current liabilities		
Other non-current liabilities	(4,788)	(1,043)
Net cash used in operating activities	(16,176)	(8,488)
<b>Investing activities</b>		
Purchases of investments	(186)	(1,183)
Proceeds from sales and maturities of investments	—	19,375
Purchases of property and equipment	(77)	(692)
Net cash (used in) / provided by investing activities	(263)	17,500
<b>Financing activities</b>		
Payment of debt issuance costs	(82)	—
Proceeds from exercise of stock options	24	3
Net cash (used in) / provided by financing activities	(58)	3
Effect of foreign exchange rate fluctuations on cash and cash equivalents	413	37
Net (decrease) / increase in cash and cash equivalents	(16,084)	9,052
Cash and cash equivalents at	58,056	35,045

beginning of  
period

Cash and cash equivalents at end of period	\$	41,972	\$	44,097
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See accompanying notes.

**FLUIDIGM CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. Description of Business**

Fluidigm Corporation (we, our, or us) was incorporated in the State of California in May 1999, to commercialize microfluidic technology initially developed at the California Institute of Technology. In July 2007, we were reincorporated in Delaware. Our headquarters are located in South San Francisco, California.

We create, manufacture, and market innovative technologies and tools for life sciences research. We sell instruments and consumables, including integrated fluidic circuits, or IFCs, assays and reagents to academic institutions, clinical research laboratories, and biopharmaceutical, biotechnology, and agricultural biotechnology, or Ag-Bio, companies and contract research organizations, or CROs. Our technologies and tools are directed at the analysis of deoxyribonucleic acid, or DNA, ribonucleic acid, or RNA, and proteins in a variety of different sample types, from individual cells to bulk tissue.

**2. Summary of Significant Accounting Policies**

**Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), and following the requirements of the Securities and Exchange Commission (SEC) for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by U.S. GAAP have been condensed or omitted, and accordingly the balance sheet as of December 31, 2017, has been derived from audited consolidated financial statements at that date but does not include all disclosures required by U.S. GAAP for complete financial statements. These financial statements have been prepared on the same basis as our annual financial statements and, in the opinion of management, reflect all adjustments (consisting only of normal recurring adjustments) that are necessary for a fair statement of our financial information. The results of operations for the three months ended March 31, 2018 are not necessarily indicative of the results to be expected for the year ending December 31, 2018, or for any other interim period or for any other future year. All intercompany transactions and balances have been eliminated in consolidation.

The preparation of these condensed consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions believed to be reasonable, which together form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ materially from these estimates and could have a material adverse effect on our condensed consolidated financial statements.

The accompanying condensed consolidated financial statements and related financial information should be read in conjunction with the audited consolidated financial statements and the accompanying notes in Item 8 of Part II, "Financial Statements and Supplementary Data," for the year ended December 31, 2017, included in our Annual Report on Form 10-K.

Certain prior period amounts in the condensed consolidated statements of cash flows have been reclassified to conform to the current period presentation. These reclassifications were immaterial and did not affect prior period total assets, total liabilities, stockholders' equity, total revenue, total costs and expenses, loss from operations or net loss.

**Net Loss per Share**

Our basic and diluted net loss per share is calculated by dividing net loss by the weighted-average number of shares of common stock outstanding for the period. Restricted stock units, options to purchase common stock, and shares associated with the potential conversion of our convertible notes are considered to be potentially dilutive common shares but have been excluded from the calculation of diluted net loss per share as their effect is anti-dilutive for all periods presented.

Table of Contents**FLUIDIGM CORPORATION****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)****(Unaudited)**

The following potentially dilutive common shares were excluded from the computation of diluted net loss per share for the three months ended March 31, 2018, and 2017 because including them would have been anti-dilutive (in thousands):

	Three Months Ended	
	March 31,	
	2018	2017
Stock options, restricted stock units and performance awards	3,254	5,085
2018 Convertible Notes	19,036	—
2018 Convertible Notes potential make-whole shares, March 31, 2018	1,204	—
2014 Convertible Notes	1,364	3,598
Total	24,858	8,683

**Accumulated Other Comprehensive Loss**

The components of accumulated other comprehensive loss, net of tax, for the three months ended March 31, 2018, are as follows (in thousands):

	Foreign Currency Translation Adjustment	Net Unrealized Gain on Securities	Accumulated Other Comprehensive Loss
Balance at December 31, 2017	\$ (575)	\$ 1	\$ (574)
Other comprehensive income (loss)	43	(1)	42
Balance at March 31, 2018	\$ (532)	\$ —	\$ (532)

Immaterial amounts of unrealized gains and losses have been reclassified into the condensed consolidated statement of operations for the three months ended March 31, 2018.

### **Goodwill, Intangible Assets, and Other Long-lived Assets**

Goodwill and intangible assets with indefinite lives are not subject to amortization, but are tested for impairment on an annual basis during the fourth quarter or whenever events or changes in circumstances indicate the carrying amount of these assets may not be recoverable. We first conduct an assessment of qualitative factors to determine whether it is more likely than not that the fair value of our reporting unit is less than its carrying amount. If we determine that it is more likely than not that the fair value of our reporting unit is less than its carrying amount, we then conduct a two-step test for impairment of goodwill. In the first step, we compare the fair value of our reporting unit to its carrying value. If the fair value of our reporting unit exceeds its carrying value, goodwill is not considered impaired and no further analysis is required. If the carrying value of the reporting unit exceeds its fair value, then the second step of the impairment test must be performed in order to determine the implied fair value of the goodwill. If the carrying value of the goodwill exceeds its implied fair value, then an impairment loss equal to the difference would be recorded.

We evaluate our finite-lived intangible assets and other long-lived assets for indicators of possible impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any indicator of impairment exists, we assess the recoverability of the affected asset by determining whether the carrying value of the asset can be recovered through undiscounted future operating cash flows. If impairment is indicated, we estimate the asset's fair value using future discounted cash flows associated with the use of the asset, and adjust the carrying value of the asset accordingly.

### **Convertible Notes**

In February 2014, we closed an underwritten public offering \$201.3 million aggregate principal amount of our 2.75% Senior Convertible Notes due 2034 ("2014 Notes"). In March 2018, we entered into separate privately negotiated transactions with certain holders of our 2014 Notes to exchange approximately \$150.0 million in aggregate principal amount of the 2014 Notes for our new 2.75% Exchange Convertible Senior Notes due 2034 ("2018 Notes").

Following the exchange, approximately \$51.3 million aggregate principal amount of the 2014 Notes remain outstanding in addition to \$150.0 million in aggregate principal amount of the 2018 Notes.



Table of Contents**FLUIDIGM CORPORATION****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)****(Unaudited)**

See Footnote 4. Convertible Notes for the accounting treatment of the transaction and additional information about the exchange.

**Recent Accounting Changes and Accounting Pronouncements***Adoption of New Accounting Guidance*

In May 2014, the FASB issued ASU 2014-09 Revenue from Contracts with Customers ("Topic 606"). Topic 606 and its related amendments supersede Revenue Recognition (Topic 605), issued in June 2010, and provide principles for recognizing revenue for goods and services in a manner consistent with the transfer of control of those goods and services to the customer.

We adopted Topic 606 on January 1, 2018, using the modified retrospective method applied to those contracts with unrecognized revenue on the adoption date. We recognized the effect of applying the new revenue standard by recording a cumulative catch-up adjustment that reduced the accumulated deficit component of stockholders' equity by \$0.4 million, and increased current assets by \$0.2 million and non-current assets by \$0.2 million. The adjustment capitalized certain sales commission costs that were incurred to obtain instrument service contracts. Under Topic 605, we accounted for these incremental contract acquisition costs by recognizing them as expense at the point the contract was awarded. Under Topic 606, the costs are capitalized and amortized to expense over the life of the contract, which is generally one to three years. The comparative information for periods prior to January 1, 2018, has not been restated and continues to be reported in accordance with Topic 605.

The following table summarizes the cumulative effect of adopting Topic 606 on amounts previously reported in our consolidated balance sheet at December 31, 2017 (in thousands):

	Balance at December 31, 2017	Topic 606 Transition Adjustments	Balance at January 1, 2018
Prepaid expenses and other current assets	\$ 1,528	\$ 153	\$ 1,681
Total current assets	\$ 94,801	\$ 153	\$ 94,954
Other non-current assets	\$ 7,541	\$ 205	\$ 7,746
Total assets	\$ 287,351	\$ 358	\$ 287,709
Accumulated deficit	\$ (500,196)	\$ 358	\$ (499,838)
Total stockholders' equity	\$ 30,935	\$ 358	\$ 31,293
Total liabilities and	\$ 287,351	\$ 358	\$ 287,709

stockholders'  
equity

The following table summarizes the impacts on our condensed consolidated statements of operations of adopting Topic 606 compared to Topic 605 for the three months ended March 31, 2018 (in thousands):

	As Reported	Balance Without Adoption of Topic 606	Effect of Change
	<b>Three Months Ended March 31, 2018</b>		
Selling, general and administrative	\$ 18,805	\$ 18,838	\$ (33)
Total costs and expenses	\$ 37,881	\$ 37,914	\$ (33)
Loss from operations	\$ (12,633)	\$ (12,666)	\$ 33
Loss before income taxes	\$ (14,430)	\$ (14,463)	\$ 33
Net loss	\$ (13,247)	\$ (13,280)	\$ 33

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